

Allianz UK & European Investment Funds

Interim Report & Financial Statements (unaudited)

28 February 2022

Allianz Global Investors

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¹ Formerly Allianz UK Equity Income Fund.

² Formerly Allianz UK Opportunities Fund.

* 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 Gilt Yield Fund	16 May 2002
Allianz Strategic Bond Fund	16 May 2002
Allianz UK Listed Equity Income Fund	16 May 2002
Allianz UK Mid Cap Fund	16 May 2002
Allianz UK Listed 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 SS&C Financial Services Europe Limited

SS&C House
St. Nicholas Lane
Basildon
Essex SS15 5FS

Authorised and regulated by the Financial Conduct Authority

*Formerly DST Financial Services Europe Limited

Depository State Street Trustees Limited

20 Churchill Place
London E14 5HJ

Authorised and regulated by the Financial Conduct Authority.

Investment Advisers

Allianz UK Listed Equity Income Fund, Allianz UK Mid-Cap
Fund, Allianz Index-Linked Gilt Fund, Allianz UK Listed
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 2021.

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 Listed 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 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 UK Listed Equity Income Fund						6	
Allianz UK Listed 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	
	Darina Valkova	
Benchmark	S&P Europe Ex-UK LargeMidCap Growth Index Net Total Return GBP	
Income allocation date	Interim	28 February*
	Final	31 August
Income pay date	Interim	30 April
	Final	31 December (normally 31 October)
Launch dates	Fund	16 May 2002
	A Shares	16 May 2002
	C Shares	18 April 2012
	S Shares	26 January 2016
	S Shares(EUR)	15 March 2021
ISA status	Yes	
Share Classes and types of Shares	A (Accumulation Shares) C (Accumulation Shares) I (Accumulation Shares) S (Accumulation Shares) S (Income Shares) S (Income Shares)(EUR)	
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
	S Shares(EUR)	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%
	S Shares(EUR)	0.45%

I Shares are available but not currently in issue.

*29 February in a leap year

Fund Information continued

As at 28 February 2022 (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 2022	1,729	97,553.51	1,772.45
C Shares Accumulation	28 February 2022	200,860	66,514,076.36	301.98
S Shares Income	28 February 2022	6,724	6,142,773.49	109.46
S Shares Accumulation	28 February 2022	121,208	58,412,720.98	207.5
S EUR Shares Income	28 February 2022	2,322	2,729,325.65	85.07

Operating Charges

Share Class	Year Ended	(%)
A Shares Accumulation	31 August 2021	1.54
C Shares Accumulation	31 August 2021	0.79
S Shares Income	31 August 2021	0.49
S Shares Accumulation	31 August 2021	0.49
S EUR Shares Income	31 August 2021	0.41

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 2021	-
	30 April 2022	-
C Shares Accumulation	31 October 2021	0.6042
	30 April 2022	-
S Shares Income	31 October 2021	0.5336
	30 April 2022	-
S Shares Accumulation	31 October 2021	1.0149
	30 April 2022	-
S EUR Shares Income	31 October 2021	-
	30 April 2022	0.5187

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

Investment Review

Performance Summary

Over the six-month period under review, from 1st September 2021 to 28th February 2022, the Fund's 'A' class produced a total return of -20.3% and 'C' shares produced a total return of -20.0% (midday prices net of fees in GBP). The Fund's benchmark, S&P Europe ex UK Growth Total Return, produced a total return of -11.7% over the period.

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

Performance is heavily sentiment driven, contrasting sound Q3 & Q4 earnings results with numerous revenue and earnings beats of frequently 3-4%, plus rising M&A activity. Some of the most relevant characteristics of our companies right now are strong management teams, flexible and asset light business models, geographical diversification, sticky revenues, and especially pricing power, given inflation hotspots such as Energy and some specific Commodities. The latest rotations have favoured the Energy and Defence sectors, with Utilities more resilient, to which we have no exposure. Healthcare has also been a brighter spot however, as well as late but compelling reporters of Q4 earnings, explaining top active contributors Novo Nordisk (pharma), Sika (construction chemicals) and VAT Group (vacuum valves). The main detractors were Netcompany (IT solutions), DSV (freight forwarder) and Ambu (single-use endoscope). With inflation rising and the global economy looking increasingly fragile, a sharp set of rate rises appears less certain in the region, and Growth outperformed Value in the last fortnight. We will not reposition the portfolio on macro nor geopolitical bets, and are only looking to ensure structural resilience and identify clear valuation opportunities on our usual 3-5 year timeframe. Fundamentally, the strategy is relatively well positioned for the current crisis given its high quality, structural growth orientation.

Market Background

Continental European equities recorded steep declines (in GBP terms) over the six-month period.

A challenging market environment with heightened volatility marked the period under review, beginning with the global selloff in September, where investors responded to a host of worries including inflation and potential Fed decisions, the

energy crisis, and supply chain troubles. Sentiment was lifted as Q3 earnings rolled in, supported by robust corporate earnings growth and the European Central Bank's (ECB) continued accommodative stance. Shares suffered a correction again in late-November due to soaring Covid-19 infection rates and reimposed pandemic-related restrictions in the region, however, ended the fourth quarter on a positive note, as research appeared to show that the new Omicron variant caused less severe disease, with countries such as France and Italy closing near their highest levels of the year. 2022 began with a sharp market decline, initially driven by receding liquidity due to central bank policy, but further affected by Russia's invasion of Ukraine at the end of February. Europe is seen to be vulnerable to supply disruptions as it relies on Russia for about a quarter of its oil and more than a third of its gas supplies, although dependency varies considerably between countries. The EU announced wide-ranging sanctions targeted at Russia's banking system and oligarchs, with even Switzerland, a bastion of neutrality, adopting the measures. The sell-off took the EuroStoxx 600 Index into a technical correction, defined as a decline of 10% from a recent peak, with the index hitting its lowest point since May 2021.

The flash estimate of the IHS Markit Eurozone composite purchasing managers' index picked up to a five-month high in February, driven by an acceleration in services sector activity. While COVID-19 infection levels remained elevated, many countries relaxed restrictions as pressure on health care services eased given the less severe nature of the Omicron variant. However, the European Commission lowered its growth outlook, saying that higher energy costs would dampen growth, and raised its inflation forecast for 2022. With Eurozone inflation hitting a record high of 5.1% in January, ECB president Christine Lagarde acknowledged that inflation risks were "tilted to the upside" and declined to rule out that rates may be raised later this year. The heads of the German and Dutch central banks pressed for the ECB to wind down its bond-buying programme. However, while the ECB's chief economist noted that Eurozone inflation was unlikely to drop below the 2% target in the next two years, he drew a distinction between likely policy normalisation (ending asset purchases and raising rates to zero) and more drastic monetary tightening.

Investment Review continued

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, in addition to numerous smaller repositioning trades, we initiated a new position in Datwyler. Datwyler is a high-quality defensive business, operating with strong market positions in niche markets. Their elastomer products (typically rubber seals) are mission critical yet represent a fraction of the total product value, which gives them good pricing power. Barriers to entry are high and come in the form of technology, scale, and reputation/ long term relationships. Visibility for c. 70% of the business is exceptionally strong, with Datwyler benefitting from long term contracts in Healthcare and a new 10 year manufacturing contract with Nespresso. The company has guided for 6-10% revenue growth p.a., which looks conservative as it assumes no Covid revenues beyond this year.

We exited our positions in MTU Aero Engines (lacking visibility in its business recovery from Covid-19 impact), Fresenius (lower conviction) and Amadeus IT (sell opportunity offered by the recovery trades in January, having question marks on the long-term outlook of its end markets).

Outlook

Latest news headlines include allegations of war crimes, details of banned weapons in use, and even more concerningly, nuclear threats. As citizens of Europe we are as horrified and shocked as the rest of the world at what is unfolding in our region. In our daily morning meetings, our wider Investment Platform has searched for scenarios that offer President Putin an exit option with some alignment to his original objectives, allowing him to back down and feign success. Without this option, current events and retaliation from both sides will likely only escalate the devastation further.

Given our strong orientation to Structural Growth and Quality, our portfolios are well positioned to deal with the crisis.

Financial Sanctions and banks fit together, therefore Banks were sold off in late February. Previously among the top performers of the MSCI Europe earlier this year, on the back of potential rate hikes, Banks have been a key rotation trade in the past week. We have no Banks in the portfolio and are underweight Financials.

Rising Energy Prices will affect businesses broadly. Our team has stressed the importance of pricing power for several quarters now, which we routinely screen our companies for. Their ability to pass through elevated costs and protect margins has become critically important. Companies may also be looking to reduce production costs via more efficient equipment, which could bode well for industrial names like Atlas Copco (compressor specialists) and the engineering wizards of Spirax Sacro Engineering (steam systems). In terms of sector exposure, we do not own any Energy names, including Renewable Energy which has rallied recently. Returns in this space have generally been poor over past years, with low ROIC. The success of some of these business models depends on how the wind blows, quite literally.

Rising Commodity Prices are also evident, with wheat touching a 13-year high on threats of supply disruptions. Russia and Ukraine account for a third of the world's wheat exports, a fifth of its corn trade, and almost 80 per cent of sunflower oil production. We have low exposure to Consumer Staples, and our selection has favoured beauty over food & beverage in this space. In metals, aluminium also increased to a record high price. Russia is a big producer of aluminium as well as copper, nickel, platinum and palladium, while Ukraine is the world's main supplier of neon, purifying by-products of Russian steel manufacturing. Palladium and neon are semiconductor materials where scarcity could worsen current chip shortages. This should have less impact on our equipment suppliers to the industry like ASML Holding (sourcing only 20% of its neon from Ukraine), VAT Group and Atlas Copco. More premium pricing at manufacturers like Infineon can provide support if automotive industry disruption is prolonged, here it has a c. 45% revenue exposure.

Supply Chain Disruption since European port congestion has risen, and airspace restrictions could affect as much as 50% of cargo capacity between Asia and Europe. We saw supply chain disruption through 2021, where high conviction freight forwarder and serial acquirer DSV rather benefited via higher pricing.

Investment Review continued

Current risks have seen investors rotate back towards Structural Growth and Quality in the past week, with the market also acknowledging the lower likelihood of significant rate rises that could sever growth in a fragile environment. As Q4 earnings season draws to a close, we see continued fundamental strength from our companies and meaningful reinvestment which can support their compound growth stories over the longer term.

Portfolio Statement

As at 28 February 2022

Holding		Market Value £'000	% of Net Assets
	OVERSEAS EQUITIES - 98.77% (2021 - 98.64%)		
	Denmark - 20.74% (2021 - 21.44%)		
345,007	Ambu	4,639	1.39
70,526	Chr Hansen	3,806	1.14
99,747	Coloplast	11,002	3.31
117,759	DSV	16,176	4.86
190,090	GN Store Nord	7,425	2.23
99,695	Netcompany	4,766	1.44
249,088	Novo Nordisk	18,935	5.69
34,969	SimCorp	2,266	0.68
		69,015	20.74
	France - 12.47% (2021 - 11.82%)		
242,342	Dassault Systemes	8,696	2.61
63,255	Legrand	4,437	1.33
27,913	L'Oréal	8,102	2.43
25,830	LVMH Moet Hennessy Louis Vuitton	13,822	4.15
22,281	Sartorius Stedim Biotech	6,489	1.95
		41,546	12.47
	Germany - 16.08% (2021 - 17.81%)		
51,236	adidas	8,951	2.69
96,829	Bechtle	3,656	1.10
35,566	CANCOM	1,507	0.45
31,209	Carl Zeiss Meditec	3,612	1.09
405,304	Infineon Technologies	10,189	3.06
44,224	Knorr-Bremse	2,922	0.88
72,095	Nemetschek	4,743	1.42
91,471	SAP	7,663	2.30
38,631	Symrise	3,464	1.04
144,294	Zalando	6,814	2.05
		53,521	16.08
	Ireland - 6.96% (2021 - 7.02%)		
92,586	DCC	5,307	1.59
59,362	Kerry	5,222	1.57
19,238	Kingspan A shares	1,373	0.42
157,239	Kingspan B shares	11,241	3.38
		23,143	6.96
	Italy - 2.57% (2021 - 2.60%)		
207,338	Amplifon	6,566	1.97
85,233	De' Longhi	1,987	0.60
		8,553	2.57
	Netherlands - 10.71% (2021 - 9.29%)		
7,140	Adyen	10,933	3.28
51,545	ASML	24,738	7.43
		35,671	10.71
	Spain - 0.75% (2021 - 1.46%)		
129,988	Industria de Diseno Textil	2,492	0.75
		2,492	0.75
	Sweden - 12.22% (2021 - 11.70%)		
291,261	AddTech	3,462	1.04
349,723	Assa Abloy	6,794	2.04
239,447	Atlas Copco	9,109	2.74
279,595	Elekta	1,785	0.54
545,380	Epiroc	7,716	2.32
680,013	Hexagon	6,701	2.01
660,099	Hexpol	5,089	1.53
		40,656	12.22

Portfolio Statement continued

As at 28 February 2022

Holding		Market Value £'000	% of Net Assets
	Switzerland - 16.27% (2021 - 15.50%)		
533	Chocoladefabriken Lindt & Spruengli	4,290	1.29
11,129	DAE	2,795	0.84
24,229	Kardex	4,592	1.38
8,162	Lonza	4,222	1.27
10,871	Partners	10,872	3.27
62,435	Sika	15,416	4.63
43,222	Temenos	3,166	0.95
31,722	VAT	8,799	2.64
		54,152	16.27
	Investment assets	328,749	98.77
	Net other assets	4,094	1.23
	Net assets	332,843	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 2021.

Statement of Total Return

For the six months ended 28 February 2022 (unaudited)

	2022 £000s	2022 £000s	2021 £000s	2021 £000s
Income:				
Net capital (losses)/gains		(80,228)		18,874
Revenue	786		587	
Expenses	(1,231)		(721)	
Interest payable and similar charges	-		-	
Net expense before taxation	(445)		(134)	
Taxation	(39)		7	
Net expense after taxation		(484)		(127)
Total return before distributions		(80,712)		18,747
Distributions		1		(36)
Change in net assets attributable to shareholders from investment activities		(80,711)		18,711

Statement of Change in Net Assets Attributable to Shareholders

For the six months ended 28 February 2022 (unaudited)

	2022 £000s	2022 £000s	2021 £000s	2021 £000s
Opening net assets attributable to shareholders		375,846		217,267
Amounts receivable on issue of shares	47,773		40,589	
Amounts payable on cancellation of shares	(10,065)		(51,957)	
		37,708		(11,368)
Dilution adjustment		-		19
Change in net assets attributable to shareholders from investment activities (see above)		(80,711)		18,711
Retained distributions on accumulation shares		-		(3)
Closing net assets attributable to shareholders		332,843		224,626

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 2022 (unaudited)

	28 February 2022 £000s	28 February 2022 £000s	31 August 2021 £000s	31 August 2021 £000s
Assets:				
Fixed assets:				
Investments		328,749		370,735
Current assets:				
Debtors	1,532		2,667	
Cash and bank balances	2,770		2,717	
Total assets		333,051		376,119
Liabilities:				
Creditors:				
Distribution payable	(12)		(17)	
Other creditors	(196)		(256)	
Total liabilities		(208)		(273)
Net assets attributable to shareholders		332,843		375,846

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 Midday Total Return GBP.	
Income allocation dates	Interim	28 February*
	Final	31 August
Income pay dates	Interim	30 April
	Final	31 December (normally 31 October)
Launch dates	Fund	16 May 2002
	I Shares	16 May 2002
	Y Shares	20 February 2017
ISA status	Yes	
Share Classes and types of Shares	I (Income 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

C Shares closed on 3 July 2020.

Fund Information continued

As at 28 February 2022 (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 2022	N/A	N/A	N/A
I Shares Income	28 February 2022	2,079,105	1,101,691,818.48	188.72
Y Shares Accumulation	28 February 2022	35	656.09	5,423.66

Operating Charges

Share Class	Year Ended	(%)
C Shares Income	31 August 2021	N/A
I Shares Income	31 August 2021	0.32
Y Shares Accumulation	31 August 2021	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 2021	N/A
	30 April 2022	N/A
I Shares Income	31 October 2021	0.4886
	30 April 2022	0.5989
Y Shares Accumulation	31 October 2021	3.8694
	30 April 2022	14.6641

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 period under review, 1st September 2021 to 28th February 2022, the Fund's 'I Inc' class produced a total return of -7.30%. The Fund's benchmark, the FTSE Actuaries UK Conventional Gilts All Stocks Total Return, produced a total return of -7.46% over the period.

Market Background

The last six months have seen gilt markets weather a European energy crisis, the start of the Bank of England's (BoE) hiking cycle, and most recently a war between Ukraine and Russia. In what was a very volatile period, gilts largely sold off as soaring inflation expectations, coupled with a hiking central bank, pushed nominal yields higher across the curve.

Right at the start of the review period, global government bonds suffered a massive sell-off as market stagflation worries set in causing a bear flattening of government bond yield curves. The moves in the U.K. were especially extreme with nominal yields being pushed higher by a near unprecedented rate of increase in market implied inflation. This was largely caused by an energy crisis in Europe, where higher energy and power prices put substantial upward pressure on short dated market implied inflation. Meanwhile, the very front-end part of the gilt curve also ticked higher as investors grew more confident of Bank of England rate hikes.

Gilts managed to offset a large portion of the losses near the end of October on the news that the U.K. government had slashed its planned debt sales for the current fiscal year due to stronger-than-expected tax receipts. The rally momentum continued into December as markets appeared wrong-footed by the BoE's decision to keep interest rates on hold at its November meeting given that inflation rose to 4.2% in October, the highest level in a decade. The rally saw the 10-year benchmark gilt yield fall from its October highs of 1.2% to 0.7% at the start of December, a 50 basis point rally in less than two months.

The effect of the energy crisis was also reflected in the economic data – U.K. GDP grew 1.3% in the third quarter as supply chain and energy disruptions, as well as labour shortages hit output. As inflation hit 5.1% in November, the highest level in a decade, the BoE reacted by raising rates in its December meeting for the first time in three years.

As quickly as gilts rallied, we saw another round of massive selling at the turn of the year with the yield on the 10-year benchmark gilt breaking through 1.6%, the highest level since late-2018, by mid-February as rampant inflation increased the speculation that the BoE would raise interest rates further. The moves were exacerbated in February by soaring commodity prices on the back of the Ukraine/Russia conflict which increased expectations that major central banks would need to be more aggressive in raising rates to tackle inflation. Consequently, the very front-end was particularly affected as markets continued to price in more hikes – at the end of February, markets were pricing in more than five rate hikes by the end of the year in the U.K.

With UK inflation reaching a 30-year high of 5.5% in January, the Bank of England raised interest rates by 25 basis points to 0.5%. As the Bank predicts that inflation will likely peak at 7.25% in the spring, a further increase in rates is expected in March.

Portfolio Review

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

Duration

In the last quarter of 2021, we remained underweight duration relative to our benchmark. Our preference for being underweight duration reflected our belief that the risk-on bias would hold going into the new year. Our duration underweight was mainly in the long end of the curve as we thought there would be more room for the term premium to increase as the BoE let inflation overshoot as well as a slowing of the LDI duration hedging activity we saw over the summer.

As we became more wary of the growth headwinds and tail-risks, we started to add duration to the fund and by January had closed our headline duration underweight and ran a neutral exposure against our benchmark. We did this by adding to gilts exposure, using any cheapening in yield opportunities to add to the 5-10 year section of the curve via the active 10-year gilt future contract.

Investment Review continued

Going into February, global government bonds were still not sufficiently pricing in a global economic growth slowdown. Thus, we continued to add duration exposure over the month in both the United Kingdom (via 10-year Gilt future) and Canada, as we believe that not only will the growth outlook weaken, but central banks could move less hawkish in the face of these growth risks. We end the review period overweight 0.65 years relative to our benchmark.

Curve positioning

At the start of the period, we rotated our large overweight in the belly of the curve to the shorter-end (5-10 year) section of the curve and by mid-September ran a steepener position. Over the following months we increased our steepener bias, mainly by adding to shorter dated gilts as their yields rose as well as conducting a 5s30s50s gilt fly trade where we sold the belly of the gilt curve and bought the wings.

In the new year, we maintained our steepener bias and remain short the 20-50 year part of the curve in contrast to our long in the 5-20 year. Our largest underweight is in the belly of the curve as this part should be most affected by an end of quantitative easing, as the BoE's buying has been heavily concentrated in this part of the curve. The BoE hawkishness means that they could start to unwind its large gilt holdings later this year, which could put substantial pressure on longer dated gilts. We also moved underweight the front-end of the curve amid the start of the BoE's hiking cycle.

Relative Value

We engaged in several 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 market operations activity by the BoE. As an example, in November we rotated from the 2039s gilt to the 2044s gilt and switched from 2032s gilt to the 2034s. Most recently in February, we switched from the UKT 2030s to the 2039s.

Inflation

Throughout the period, we held no index-linked gilts. We maintain our preference for conventional to index-linked gilts as we believe that the U.K. inflation-market continues to look expensive.

Cross Market

Throughout the review period, we preferred duration in other government bonds rather than in the U.K. and maintained our overweight exposure in cross-market government bonds.

Going into the review period, we held Canadian and Swedish bonds and maintained our Australian flattener position, via a short 3-year bond future vs. long-end government bonds – we also were overweight Australia on headline duration. By late October, we took some profit on our Australian flattener exposure after the curve sharply flattened and reduced our Australian headline duration exposure to neutral. We increased our Canadian exposure by buying a 30-year government bond in February and broadly maintained our cross-market positions as at the end of the review period.

Outlook

The macro narrative this year is that central banks' reaction function has changed, where they are rapidly hiking rates to curb short term inflation and care far less about the negative medium term growth impacts of this rapid policy tightening. Our base case scenario remains that global growth will decelerate sharply, where the recent move higher in commodity prices and renewed global central bank hawkishness (with additional rate hikes correspondingly priced into markets) has strengthened this conviction further.

The Ukraine crisis (which has escalated far beyond what we had expected) has added even more downside growth risks. We now believe there is an even greater chance of outright recession in some regions from end 2022 onwards. Whilst the Ukraine crisis has thus far not developed into a full blown global liquidity shock, we think there is a small but growing tail risk of a major market volatility shock and central bank 'puts' don't exist for as long as inflation remains high.

Investment Review continued

On the inflation side, we had naturally been concerned about the potential impact on oil and gas prices if there was a full scale invasion of Ukraine and we still are concerned about the risk that pipelines are damaged or cease working, intentionally or unintentionally. So far, sanctions and SWIFT exclusions mean that Russia has effectively been cut off from access to US dollars in everything bar its oil and gas sector. It is thus incentivised to not only maintain oil and gas exports, but to pump more and since the invasion began, this is indeed what has happened. The energy crisis that began in summer 2021 is a major reason why year on year inflation is so elevated today, where European gas prices are over 6 times higher than they were a year ago. The renewed energy price shock means inflation will now likely be higher for longer. But assuming gas prices remain stable from here, this dramatic inflationary year on year impact will rapidly diminish towards end 2022.

Portfolio Statement

As at 28 February 2022

Nominal		Market Value	
		£'000	% of Net Assets
	Australian Dollar Denominated Fixed Rate Government Bonds - 1.24% (2021 - 1.15%)		
5,760,000	Australia Government Bond 1.75% 21/06/2051	2,544	0.12
15,970,000	Australia Government Bond 2.75% 21/05/2041	8,869	0.43
16,450,000	Australia Government Bond 3% 21/03/2047	9,455	0.45
8,230,000	Australia Government Bond 3.25% 21/06/2039	4,915	0.24
		25,783	1.24
	Canadian Dollar Denominated Fixed Rate Government Bonds - 2.26% (2021 - 1.44%)		
19,350,000	Canadian Government Bond 0.25% 01/11/2022	11,266	0.54
19,350,000	Canadian Government Bond 0.25% 01/02/2023	11,225	0.54
24,200,000	Canadian Government Bond 0.25% 01/03/2026	13,378	0.64
20,000,000	Canadian Government Bond 2% 01/12/2051	11,203	0.54
		47,072	2.26
	Norwegian Krone Denominated Fixed Rate Government Bonds - 0.65% (2021 - 0.00%)		
161,750,000	Norway Government Bond 2.125% 18/05/2032	13,580	0.65
		13,580	0.65
	Sterling Denominated Fixed Rate Government Bonds - 92.25% (2021 - 91.95%)		
147,900,000	UK Treasury 0.125% 31/01/2024	145,056	6.98
9,000,000	UK Treasury 0.125% 31/01/2028	8,441	0.41
147,000,000	UK Treasury 0.25% 31/01/2025	143,031	6.88
158,400,000	UK Treasury 0.375% 22/10/2026	152,628	7.34
64,700,000	UK Treasury 0.5% 22/10/2061	45,576	2.19
211,400,000	UK Treasury 0.625% 31/07/2035	185,425	8.92
125,800,000	UK Treasury 0.875% 22/10/2029	121,971	5.87
67,700,000	UK Treasury 0.875% 31/01/2046	56,996	2.74
115,750,000	UK Treasury 1.125% 31/01/2039	106,350	5.12
111,800,000	UK Treasury 1.25% 22/10/2041	103,450	4.98
52,200,000	UK Treasury 1.25% 31/07/2051	47,452	2.28
90,000,000	UK Treasury 1.625% 22/10/2054	90,475	4.35
131,200,000	UK Treasury 1.75% 07/09/2037	132,752	6.38
40,000,000	UK Treasury 1.75% 22/07/2057	41,891	2.01
48,500,000	UK Treasury 2.5% 22/07/2065	64,349	3.09
41,000,000	UK Treasury 3.25% 22/01/2044	52,805	2.54
115,450,000	UK Treasury 4.25% 07/06/2032	146,040	7.02
80,300,000	UK Treasury 4.5% 07/09/2034	106,811	5.14
53,400,000	UK Treasury 4.75% 07/12/2030	68,433	3.29
74,900,000	UK Treasury 6% 07/12/2028	98,043	4.72
		1,917,975	92.25
	Sterling Denominated Fixed Rate Corporate Bonds - 3.24% (2021 - 2.72%)		
25,709,000	European Bank for Reconstruction & Development 5.625% 07/12/2028	32,415	1.56
15,000,000	Nordic Investment Bank 1.125% 15/12/2022	15,025	0.72
20,000,000	Nordic Investment Bank 1.125% 15/12/2023	19,886	0.96
		67,326	3.24
	Swedish Krona Denominated Fixed Rate Government Bonds - 0.27% (2021 - 0.30%)		
75,000,000	Sweden Government Bond 1.375% 23/06/2071	5,576	0.27
		5,576	0.27
	DERIVATIVES - 0.16% (2021 - 0.17%)		
	Australian Dollar Open Futures Contract - 0.10% (2021 - (0.02)%)		
(2,660)	Australian 3 Year Bond Futures March 2022	2,018	0.10
		2,018	0.10
	Sterling Open Futures Contracts - 0.00% (2021 - 0.04%)		
700	UK Long Gilt Bond Futures June 2022	(21)	-
		(21)	-
	Australian Dollar Open Forward Exchange Contracts - 0.01% (2021 - 0.13%)		
	Bought AUD7,173,114 for GBP3,807,561 Settlement 16/03/2022	56	-
	Sold AUD66,327,000 for GBP35,879,371 Settlement 16/03/2022	151	0.01
		207	0.01
	Canadian Dollar Open Forward Exchange Contracts - 0.03% (2021 - 0.02%)		
	Bought CAD1,500,000 for GBP875,607 Settlement 16/03/2022	2	-
	Sold CAD84,300,000 for GBP49,980,011 Settlement 16/03/2022	630	0.03
		632	0.03
	Norwegian Korobe Open Forward Exchange Contracts - 0.00% (2021 - 0.00%)		
	Sold NOK161,100,000 for GBP13,423,750 Settlement 16/03/2022	(98)	-
		(98)	-

Portfolio Statement continued

As at 28 February 2022

Nominal	Market Value £'000	% of Net Assets
Swedish Krona Open Forward Exchange Contracts - 0.02% (2021 - 0.00%)		
Bought SEK12,511,904 for GBP1,000,000 Settlement 16/03/2022	(15)	-
Sold SEK96,600,000 for GBP8,074,753 Settlement 16/03/2022	470	0.02
	<u>455</u>	<u>0.02</u>
Investment assets ¹	2,080,505	100.07
Net other liabilities	(1,364)	(0.07)
Net assets	2,079,141	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 2021.

Statement of Total Return

For the six months ended 28 February 2022 (unaudited)

	2022 £000s	2022 £000s	2021 £000s	2021 £000s
Income:				
Net capital losses		(156,324)		(163,505)
Revenue	7,286		7,175	
Expenses	(3,759)		(4,113)	
Interest payable and similar charges	(2)		-41	
Net revenue before taxation	3,525		3,021	
Taxation	-		-	
Net revenue after taxation		3,525		3,021
Total return before distributions		(152,799)		(160,484)
Distributions		(7,013)		(6,847)
Change in net assets attributable to shareholders from investment activities		(159,812)		(167,331)

Statement of Change in Net Assets Attributable to Shareholders

For the six months ended 28 February 2022 (unaudited)

	2022 £000s	2022 £000s	2021 £000s	2021 £000s
Opening net assets attributable to shareholders		2,574,573		2,415,391
Amounts receivable on issue of shares	57,047		312,119	
Amounts payable on cancellation of shares	(392,668)		(23,645)	
		(335,621)		288,474
Change in net assets attributable to shareholders from investment activities (see above)		(159,812)		-167,331
Retained distributions on accumulation shares		-		-
Unclaimed distributions		1		1
Closing net assets attributable to shareholders		2,079,141		2,536,535

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 2022 (unaudited)

	28 February 2022 £000s	28 February 2022 £000s	31 August 2021 £000s	31 August 2021 £000s
Assets:				
Fixed assets:				
Investments		2,080,639		2,517,220
Current assets:				
Debtors	8,844		9,819	
Cash and bank balances	19,458		56,528	
Total assets		2,108,941		2,583,567
Liabilities:				
Investment liabilities		(134)		(1,087)
Creditors:				
Bank overdrafts	(1,234)		-	
Distribution payable	(6,599)		(6,201)	
Other creditors	(21,833)		(1,706)	
Total liabilities		(28,900)		(8,994)
Net assets attributable to shareholders		2,079,141		2,574,573

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 December (normally 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 2022 (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 2022	125,127	106,769,294.11	117.19
E Shares Accumulation	28 February 2022	14,380	11,595,220.04	124.01
W Shares Income	28 February 2022	1,076	922,710.47	116.67
W Shares Accumulation	28 February 2022	1,916	1,550,996.27	123.51

Operating Charges

Share Class	Year Ended	(%)
E Shares Income ¹	31 August 2021	0.20
E Shares Accumulation ¹	31 August 2021	0.20
W Shares Income ²	31 August 2021	0.30
W Shares Accumulation ²	31 August 2021	0.30

¹ Operating Charges on E classes have been capped at 0.20%.

² Operating Charges on W classes 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 2021	-
	30 April 2022	3.3266
E Shares Accumulation	31 October 2021	-
	30 April 2022	3.4228
W Shares Income	31 October 2021	-
	30 April 2022	3.305
W Shares Accumulation	31 October 2021	-
	30 April 2022	3.405

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

Investment Review

Performance Summary

Over the period under review, 1st September 2021 to 28th February 2022, the Fund's 'W Inc' class produced a total return of -5.50%. The Fund's benchmark, the FTSE Actuaries UK Government Index-Linked All Stocks Total Return GBP (Midday) Index, produced a total return of -4.49% over the period.

Market Background

The last six months have seen index-linked gilt markets weather a European energy crisis, the start of the Bank of England's (BoE) hiking cycle, and most recently a war between Ukraine and Russia. In what was a very volatile period, index-linked gilts largely sold off over the review period.

Right at the start of the review period, index-linked gilts suffered a massive sell-off as market stagflation worries set in causing a bear flattening of government bond real yield curves. The moves in the U.K. were especially extreme with nominal yields being pushed higher by a near unprecedented rate of increase in market implied inflation. This was largely caused by an energy crisis in Europe, where higher energy and power prices put substantial upward pressure on short dated market implied inflation. Meanwhile, the very front-end part of the curve also ticked higher as investors grew more confident of Bank of England rate hikes.

Index-linked gilts rebounded sharply in October as the curve bull flattened; long-end real yields hovered back around the record low levels reached back around in August. However, market inflation expectations continued to climb, bolstering stagflation worries, as supply side issues persisted over the month. The rally momentum in real yields continued into December, reaching a new record low of 3.5%, as markets appeared wrong-footed by the BoE's decision to keep interest rates on hold at its November meeting given that inflation rose to 4.2% in October, the highest level in a decade.

The effect of the energy crisis was also reflected in the economic data – U.K. GDP grew 1.3% in the third quarter as supply chain and energy disruptions, as well as labour shortages hit output. As inflation hit 5.1% in November, the highest level in a decade, the BoE reacted by raising rates in its December meeting for the first time in three years.

As quickly as index-linked gilts rallied, we saw another round of massive selling at the turn of the year with real yields on longer-ended index-linked gilts moving more than +10 basis points as rampant inflation increased the speculation that the BoE would raise interest rates further. The moves were exacerbated in February by soaring commodity prices on the back of the Ukraine/Russia conflict which increased expectations that major central banks would need to be more aggressive in raising rates to tackle inflation. Consequently, the very front-end was particularly affected as markets continued to price in more hikes – at the end of February, markets were pricing in more than five rate hikes by the end of the year in the U.K.

With UK inflation reaching a 30-year high of 5.5% in January, the Bank of England raised interest rates by 25 basis points to 0.5%. As the Bank predicts that inflation will likely peak at 7.25% in the spring, a further increase in rates is expected in March.

Portfolio Review

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

Duration

Throughout the last quarter of 2021, we maintained our relative underweight positioning in headline duration as our overall view was that the UK inflation market looked expensive and that too high of an inflation was being priced in the market. Over the quarter, we were largely active in our duration positioning through curve exposures, for example by shifting our largest underweight position from the ultra-long to the belly of the curve.

In the new year, we reduced our headline duration underweight exposure on the back of the rising yields by adding to the 10-15 year part of the curve and increasing the fund's steepener bias.

Investment Review continued

Curve Positioning

While we maintained our steeper position in Q4 2021, we made modifications across the curve by adding to the long end with cash from fund flows and by rotating our 2027s exposure into the 2046s. We also moved, and gradually increased, our underweight exposure in the belly of the curve (20-30 year). By the end of the last quarter, we strengthened our steeper bias by rotating from the 30-40 year part of the curve into the 15-20 year.

Going into the new year, we increased our steeper positioning. We did this by increasing our overweight in the 10-15 year part of the curve vs. our largest underweight in the 20-30 year section. We remain underweight the ultra-long end (40-50 year) and are still broadly neutral the very front-end part of the curve.

Relative Value

We saw limited dislocations along the curve over the period and engaged in only several switch and butterfly trades. For example, we switched into the 2062s index-linked gilt from the 2056s, and into the 2051s and 2044s from the 2041s.

Breakevens

Over the period, we maintained our long conventional gilt exposure versus our short inflation-linked gilt. We still maintain our high conviction that UK RPI will realise considerably below the market levels and therefore keep our short UK breakeven position in the portfolio.

This position was the main negative contributor to performance over the period as breakevens rose amid the supply-side issues.

Cross Market

We continue to hold U.S. short-end TIPS (2-year and 4-year positions) over the period. We saw short-end market implied inflation in the U.S. rise significantly over the period as real yields fell. Thus, our U.S. TIPS positions (2-year and 4-year TIPS) were positive contributors as short-end U.S. real yields fell.

Outlook

The macro narrative this year is that central banks' reaction function has changed, where they are rapidly hiking rates to curb short term inflation and care far less about the negative medium term growth impacts of this rapid policy tightening. Our base case scenario remains that global growth will decelerate sharply, where the recent move higher in commodity prices and renewed global central bank hawkishness (with additional rate hikes correspondingly priced into markets) has strengthened this conviction further.

The Ukraine crisis (which has escalated far beyond what we had expected) has added even more downside growth risks. We now believe there is an even greater chance of outright recession in some regions from end 2022 onwards. Whilst the Ukraine crisis has thus far not developed into a full blown global liquidity shock, we think there is a small but growing tail risk of a major market volatility shock and central bank 'puts' don't exist for as long as inflation remains high.

On the inflation side, we had naturally been concerned about the potential impact on oil and gas prices if there was a full scale invasion of Ukraine and we still are concerned about the risk that pipelines are damaged or cease working, intentionally or unintentionally. So far, sanctions and SWIFT exclusions mean that Russia has effectively been cut off from access to US dollars in everything bar its oil and gas sector. It is thus incentivised to not only maintain oil and gas exports, but to pump more and since the invasion began, this is indeed what has happened. The energy crisis that began in summer 2021 is a major reason why year on year inflation is so elevated today, where European gas prices are over 6 times higher than they were a year ago. The renewed energy price shock means inflation will now likely be higher for longer. But assuming gas prices remain stable from here, this dramatic inflationary year on year impact will rapidly diminish towards end 2022.

Portfolio Statement

As at 28 February 2022

Nominal		Market Value £'000	% of Net Assets
Sterling Denominated Fixed Rate Government Bonds - 96.22% (2021 - 92.12%)			
1,350,000	UK Treasury 0.125% 31/01/2024	1,324	0.93
850,000	UK Treasury Inflation Linked 0.125% 22/03/2026	1,213	0.85
4,430,000	UK Treasury Inflation Linked 0.125% 22/03/2029	7,435	5.22
1,050,000	UK Treasury Inflation Linked 0.125% 10/08/2031	1,513	1.06
1,800,000	UK Treasury Inflation Linked 0.125% 22/11/2036	3,222	2.26
10,750,000	UK Treasury Inflation Linked 0.125% 22/03/2039	17,394	12.21
6,100,000	UK Treasury Inflation Linked 0.125% 22/03/2046	12,762	8.96
845,000	UK Treasury Inflation Linked 0.125% 22/03/2051	1,689	1.19
3,120,000	UK Treasury Inflation Linked 0.125% 22/11/2056	7,616	5.35
2,030,000	UK Treasury Inflation Linked 0.125% 22/03/2058	5,248	3.68
2,035,000	UK Treasury Inflation Linked 0.125% 22/11/2065	6,020	4.22
400,000	UK Treasury Inflation Linked 0.125% 22/03/2073	1,234	0.87
170,000	UK Treasury Inflation Linked 0.25% 22/03/2052	433	0.30
4,107,000	UK Treasury Inflation Linked 0.375% 22/03/2062	13,185	9.25
10,200,000	UK Treasury Inflation Linked 0.75% 22/03/2034	20,716	14.54
1,080,000	UK Treasury Inflation Linked 0.75% 22/11/2047	3,256	2.29
651,000	UK Treasury Inflation Linked 1.125% 22/11/2037	1,730	1.21
1,515,000	UK Treasury Inflation Linked 1.25% 22/11/2027	3,206	2.25
6,130,000	UK Treasury Inflation Linked 1.25% 22/11/2032	13,557	9.51
1,185,000	UK Treasury Inflation Linked 1.25% 22/11/2055	5,007	3.51
300,000	UK Treasury Inflation Linked 2.5% 17/07/2024	1,118	0.78
225,000	UK Treasury Inflation Linked 4.125% 22/07/2030	872	0.61
		137,109	96.22
US Dollar Denominated Fixed Rate Government Bonds - 6.30% (2021 - 5.50%)			
4,070,000	US Treasury Inflation Indexed Bonds 0.125% 15/04/2022	3,523	2.47
4,500,000	US Treasury Inflation Indexed Bonds 0.125% 15/04/2026	3,787	2.66
1,800,000	US Treasury Inflation Indexed Bonds 0.875% 15/01/2029	1,666	1.17
		8,976	6.30
DERIVATIVES - (1.88)% (2021 - 0.43%)			
Sterling Interest Rate Swaps - (1.97)% (2021 - 0.30%)			
15,000,000	Receive 3.638% Pay Variable 15/06/2026	(1,666)	(1.17)
7,600,000	Receive 3.6875% Pay Variable 15/06/2030	(1,140)	(0.80)
		(2,806)	(1.97)
US Dollar Open Forward Exchange Contracts - 0.09% (2021 - 0.13%)			
	Sold USD11,965,000 for GBP9,057,123 Settlement 16/03/2022	126	0.09
		126	0.09
	Investment assets ¹	143,405	100.64
	Net other liabilities	(906)	(0.64)
	Net assets	142,499	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 2021.

Statement of Total Return

For the six months ended 28 February 2022 (unaudited)

	2022 £000s	2022 £000s	2021 £000s	2021 £000s
Income:				
Net capital losses		(9,643)		(4,755)
Revenue	4,311		(1,293)	
Expenses	(167)		(151)	
Interest payable and similar charges	-		-	
Net revenue/(expense) before taxation	4,144		(1,444)	
Taxation	-		-	
Net revenue/(expense) after taxation		4,144		(1,444)
Total return before distributions		(5,499)		(6,199)
Distributions		(4,289)		-
Change in net assets attributable to shareholders from investment activities		(9,788)		(6,199)

Statement of Change in Net Assets Attributable to Shareholders

For the six months ended 28 February 2022 (unaudited)

	2022 £000s	2022 £000s	2021 £000s	2021 £000s
Opening net assets attributable to shareholders		179,879		143,587
Amounts receivable on issue of shares	14,098		34,127	
Amounts payable on cancellation of shares	(42,152)		(28,444)	
		(28,054)		5,683
Dilution adjustment		12		-
Change in net assets attributable to shareholders from investment activities (see above)		(9,788)		(6,199)
Retained distributions on accumulation shares		450		-
Closing net assets attributable to shareholders		142,499		143,071

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 2022 (unaudited)

	28 February 2022 £000s	28 February 2022 £000s	31 August 2021 £000s	31 August 2021 £000s
Assets:				
Fixed assets:				
Investments		146,211		175,587
Current assets:				
Debtors	198		561	
Cash and bank balances	2,957		4,680	
Total assets		149,366		180,828
Liabilities:				
Investment liabilities		(2,806)		(765)
Creditors:				
Bank overdrafts	(144)		-	
Distribution payable	(3,582)		-	
Other creditors	(335)		(184)	
Total liabilities		(6,867)		(949)
Net assets attributable to shareholders		142,499		179,879

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 Information continued

Fund Details

Fund Manager	Mike Riddell	
Benchmark	Bloomberg Global Aggregate Index hedged to GBP	
Income allocation dates	Interim	28 February*
	Final	31 August
Income pay dates	Interim	30 April
	Final	31 December (normally by 31 October)
Launch dates	Fund	16 May 2002
	A Shares	16 May 2002
	C Shares	1 April 2005
	I Shares	28 July 2016
ISA status	Yes	
Share Classes and types of Shares	A (Income Shares) C (Income Shares) I (Income Shares) 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 2022 (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 2022	18,531	9,970,484	185.85
C Shares Income	28 February 2022	508,774	272,888,636	186.44
I Shares Income	28 February 2022	1,210,933	1,009,832,881	119.91
I Shares Accumulation	28 February 2022	921,813	734,131,208	125.57

Operating Charges

Share Class	Year Ended	(%)
A Shares Income	31 August 2021	1.29
C Shares Income	31 August 2021	0.64
I Shares Income	31 August 2021	0.43
I Shares Accumulation	31 August 2021	0.43

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 2021	0.0224
	30 April 2022	0.1876
C Shares Income	31 October 2021	0.6914
	30 April 2022	0.8150
I Shares Income	31 October 2021	0.5866
	30 April 2022	0.6565
I Shares Accumulation	31 October 2021	0.6083
	30 April 2022	0.6832

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

Investment Review

Performance Summary

Over the six-month period under review, 1st September 2021 to 28th February 2022, the Fund's 'C Inc' class produced a total return of -6.39%. The Fund's benchmark, the Bloomberg Global Aggregate Total Return GBP Hedged, produced a total return of -3.82%.

The key reason for this underperformance was due to our inflation strategy where our large position in short U.K. inflation was hurt by rising inflation expectations. However, some of this underperformance was offset by our long U.S. and E.U. breakeven positions.

Market Background

It was a volatile last quarter of 2021 for risk assets. While most developed markets rallied, many of the larger emerging markets fell. Risk assets initially advanced as optimism over robust corporate earnings and dovish signals from major central banks outweighed concerns about rising inflation. In late-November, the positive tone was disrupted by the emergence of a new, highly contagious strain of COVID-19. Risk assets whipsawed as major central banks finally pivoted towards a more hawkish stance and scientists scrambled to ascertain whether the Omicron variant caused less severe illness, before easing fears over Omicron helped sparked an end-of-year rally. Heading into the new year, risk assets tumbled driven by growing concerns that central banks will need to be more aggressive in raising interest rates to tackle rampant inflation. Further news that Russia had invaded Ukraine further fuelled a sell-off towards the end of February. Major economies announced wide-ranging sanctions against Russia, including limiting the ability of the Central Bank of Russia to access its reserves and excluding several Russian lenders from SWIFT, the global payments system.

It was a similar rollercoaster period for global bonds. Sovereign bond prices initially fell at the start of the last quarter of 2021 as a surge in energy prices and supply chain bottlenecks sparked speculation that major central banks would soon raise rates. However, government bond prices surged when the rapid spread of the new COVID-19 variant boosted demand for safe-haven assets in late-November. Heading into the new year, bond yields rose as fears over Omicron eased and major central banks pivoted to a more hawkish stance with surging inflation on the back of soaring

commodity prices pushing investors to start pricing in larger number of rate hikes in 2022 and 2023. In the US, the 10-year Treasury yield rose above 2.0% – a level last seen in August 2019 – and the yield on the 10-year German Bund turned decisively positive for the first time in almost three years. However, yields came off their highs towards the end of February when Russia's invasion of Ukraine sparked demand for safe-haven assets.

Over the period, inflation continued to accelerate, and central banks came under growing pressure to wind down their pandemic-related stimulus measures. US inflation accelerated to a year-on-year rate of 7.5% in January, the highest pace of increase in 40 years, while UK inflation reached a 30-year high of 5.5% and the euro-zone inflation rate hit a record high of 5.1%. Federal Reserve chair Jay Powell sparked speculation that the US central bank would be more aggressive in raising rates and all but confirmed that the first increase would be implemented in March. However, it was the UK that became the first G7 economy to raise interest rates before the year-end with further hikes expected in subsequent meetings. Similarly, the European Central Bank president Christine Lagarde acknowledged that inflation risks were "tilted to the upside" and declined to rule out a rate rise later this year.

The US dollar strengthened against most major currencies over Q4 2021. While the British pound fell after the Bank of England's surprise decision to keep rates unchanged at its November meeting, it rebounded when UK interest rates were expectedly raised in December, closing the quarter little changed against the greenback. The euro strengthened against the Japanese yen, although it gave back some of its early gains later in the quarter. In the new year, assets seen to be safe havens in times of uncertainty, such as the US dollar, Japanese yen and Swiss franc, fared best on the back of the war in Europe. The US dollar also found support from rising speculation that the Federal Reserve would raise rates as many as six times in 2022. In contrast, with Europe considered to be more exposed to the fallout of developments in Ukraine, the euro and British pound weakened. The Russian ruble plunged to a record low against the US dollar.

Investment Review continued

Portfolio Review

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

Rates

We maintained our underweight core rate duration position versus the benchmark over the last quarter of 2021, although added duration on any cheapening such as reducing our underweight in short maturity Australian rates following the dramatic jump in yields after the Reserve Bank of Australia surprised the market by removing its yield curve control policy. Against this underweight in core rates, we remained (and still remain) long of emerging markets local currency sovereign bonds, where high long dated real yields have tended to be a decent predictor of future returns historically.

Going into the new year, we started to reduce our duration underweight in the portfolio, mainly by adding 5-10y US Treasuries. Given our expectation of the Fed approaching "peak hawkishness", we will continue to fade any additional selloff in core rates. We continued to add rates duration exposure throughout February, where we think that not only is the growth outlook weaker, but central banks could move less hawkish in the face of these growth risks. The front end (up to 2y to 5y) is the steepest part of the curve, which driven by expectations of a heavily front-loaded hiking cycle now offers reasonable asymmetry, where we can benefit most from yields falling and where we think the ability for yields to rise further in the medium term is limited. The long ends of core rates curves are too flat in our view.

Allianz Strategic Bond is now slightly long duration versus its benchmark for the first time since Q2 2020. We expect the fund to outperform if global government bonds rally, particularly the 2-10 year part of the curve.

Credit

At credit spread levels in Q4 2021, credit offered particularly poor asymmetry and was a cheap hedge for us against a risk event or a larger equity drawdown. Moreover, in the context of a deteriorating growth outlook, compressed risk premia and low volatility (at least in markets outside of front-end rates and inflation) made risky assets vulnerable in our view. We therefore maintained a defensive positioning throughout the period, being short EUR and USD High Yield credit, Eurozone

peripheral sovereign bonds and Turkey CDS (bought protection).

At the end of February, we halved both of our short positions in EUR HY and US HY, after credit spreads widened to elevated levels immediately following the Russian invasion. We still believe that credit spreads will more likely widen from here, but valuations have begun to reflect our concerns.

Inflation

Within inflation, we maintain high conviction that UK RPI will realise considerably below the ~4.6% numbers implied by the market in the 4-year horizon where our positions are concentrated. We therefore held our short UK inflation position in the portfolio throughout the review period. Against our short UK position, we maintained our long positions in USD and EUR inflation breakevens throughout the period as a hedge for any spike in inflation expectation, such as the energy crisis in Q1 2022.

In February, we topped up this hedge by adding to 3y EUR inflation breakevens, which was on the rising risks of a Russia invasion, and the potential for higher inflation in the short term in Europe. Nevertheless, the fund retains a larger short position in UK RPI inflation, where the RPI curve was at one stage pricing in 10% RPI prints in Q2 and is still pricing in an average RPI inflation of more than 5% for the next 5 years. It is possible that we see very high inflation numbers in the next couple of months – which are already priced in - but we remain confident that medium term inflation will print far lower than the record levels that UK inflation markets are already fully implying thereafter.

FX

In the context of a deteriorating growth outlook, we halved our large emerging markets FX exposure in September and increased our long USD position. However, we still broadly remained moderately long emerging markets over the period, with long positions in the currencies of Latin American commodity exporters vs. short Asia. Barring a liquidity shock, if we're at or close to peak Fed hawkishness as suggested by indicators of sequential US growth weakness and peak inflation then the implications for emerging markets are likely to be significant, as the tailwind to the US dollar from a hawkish Fed will turn into a tailwind for undervalued EM.

Investment Review continued

Outlook

The macro narrative this year is that central banks' reaction function has changed, where they are rapidly hiking rates to curb short term inflation and care far less about the negative medium term growth impacts of this rapid policy tightening. Our base case scenario remains that global growth will decelerate sharply, where the recent move higher in commodity prices and renewed global central bank hawkishness (with additional rate hikes correspondingly priced into markets) has strengthened this conviction further.

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On the inflation side, we had naturally been concerned about the potential impact on oil and gas prices if there was a full scale invasion of Ukraine and we still are concerned about the risk that pipelines are damaged or cease working, intentionally or unintentionally. So far, sanctions and SWIFT exclusions mean that Russia has effectively been cut off from access to US dollars in everything bar its oil and gas sector. It is thus incentivised to not only maintain oil and gas exports, but to pump more and since the invasion began, this is indeed what has happened. The energy crisis that began in summer 2021 is a major reason why year on year inflation is so elevated today, where European gas prices are over 6 times higher than they were a year ago. The renewed energy price shock means inflation will now likely be higher for longer. But assuming gas prices remain stable from here, this dramatic inflationary year on year impact will rapidly diminish towards end 2022.

Portfolio Statement

As at 28 February 2022

Holding/Nominal		Market Value	% of
		£'000	Net Assets
	Open-Ended Funds - 0.11% (2021 - 0.00%)		
4,072.62	Allianz Global Aggregate Bond Fund	2,883	0.11
		2,883	0.11
	Sterling Denominated Fixed Rate Government Bonds - 0.00% (2021 - 3.01%)		
	Euro Denominated Fixed Rate Government Bonds - 16.88% (2021 - 9.94%)		
EUR 115,000,000	Brazil Notas do Tesouro Nacional Serie F 10% 01/01/2029	15,566	0.59
EUR 33,700,000	Bundesrepublik Deutschland Bundesanleihe 0% 15/08/2029	28,078	1.06
EUR 87,700,000	Bundesrepublik Deutschland Bundesanleihe 0% 15/05/2035	70,204	2.64
EUR 66,000,000	Bundesrepublik Deutschland Bundesanleihe 0% 15/05/2036	52,512	1.97
EUR 34,670,000	Bundesrepublik Deutschland Bundesanleihe 0% 15/08/2050	25,463	0.97
EUR 32,000,000	Bundesrepublik Deutschland Bundesanleihe 0.25% 15/02/2027	27,212	1.02
EUR 40,865,000	Bundesrepublik Deutschland Bundesanleihe 1.25% 15/08/2048	41,233	1.56
EUR 29,870,000	Bundesrepublik Deutschland Bundesanleihe 3.25% 04/07/2042	39,353	1.48
EUR 25,000,000	Deutsche Bundesrepublik Inflation Linked Bond 0.1% 15/04/2026	25,841	0.97
EUR 63,000,000	French Republic Government Bond OAT 0.1% 01/03/2026	60,940	2.29
EUR 61,100,000	French Republic Government Bond OAT 0.25% 25/07/2024	62,110	2.33
		448,512	16.88
	Euro Denominated Fixed Rate Corporate Debt Securities - 0.28% (2021 - 0.40%)		
EUR 6,600,000	Cellnex Finance 2% 15/02/2033	4,622	0.17
EUR 4,000,000	Cellnex Telecom 1.875% 26/06/2029	3,037	0.11
		7,659	0.28
	US Dollar Denominated Fixed Rate Government Bonds - 20.50% (2021 - 17.75%)		
USD 1,261,359	Argentine Republic Government International Bond 1% 09/07/2029	312	0.01
USD 27,790,500	Argentine Republic Government International Bond 1.125% 09/07/2035	6,253	0.24
USD 24,000,000	Colombia Government International Bond 3.25% 22/04/2032	14,848	0.56
USD 12,667,000	Colombia Government International Bond 4.125% 22/02/2042	7,303	0.27
USD 9,750,000	Colombia Government International Bond 4.125% 15/05/2051	5,344	0.20
USD 23,050,000	Egypt Government International Bond 7.5% 16/02/2061	12,343	0.46
USD 22,200,000	Egypt Government International Bond 8.875% 29/05/2050	13,168	0.50
USD 22,120,000	Lebanon Government International Bond 6.85% 23/03/2027	1,973	0.07
USD 5,150,000	Mexico Government International Bond 4.28% 14/08/2041	3,581	0.13
USD 6,850,000	Mexico Government International Bond 5% 27/04/2051	5,145	0.19
USD 26,500,000	United Mexican States 3.5% 12/02/2034	18,495	0.70
USD 37,857,000	United Mexican States 4.4% 12/02/2052	25,823	0.97
USD 67,000,000	US Treasury Inflation Indexed Bonds 0.125% 15/07/2024	62,172	2.34
USD 37,000,000	US Treasury Inflation Indexed Bonds 0.125% 15/07/2026	34,272	1.29
USD 70,273,600	US Treasury Inflation Indexed Bonds 0.375% 15/07/2025	66,121	2.49
USD 84,525,000	US Treasury Note 0% 15/05/2040	51,780	1.95
USD 54,940,000	US Treasury Note 0% 15/05/2050	32,125	1.21
USD 33,000,000	US Treasury Note 0% 15/08/2050	19,917	0.75
USD 32,500,000	US Treasury Note 0.625% 15/05/2030	21,926	0.82
USD 39,700,000	US Treasury Note 0.625% 15/08/2030	26,694	1.00
USD 61,500,000	US Treasury Note 1.625% 15/08/2029	45,104	1.70
USD 19,869,500	US Treasury Note 2.25% 15/11/2027	15,149	0.57
USD 29,000,000	US Treasury Note 2.875% 15/08/2028	22,938	0.86
USD 39,200,000	US Treasury Note 3.125% 15/11/2028	31,513	1.18
USD 6,421,000	Venezuela Government International Bond 7.65% 21/04/2025	264	0.01
USD 2,472,800	Venezuela Government International Bond 8.25% 13/10/2024	102	-
USD 2,765,600	Venezuela Government International Bond 9% 07/05/2023	114	-
USD 5,600,000	Venezuela Government International Bond 9.25% 15/09/2027	230	0.01
USD 2,756,000	Venezuela Government International Bond 9.25% 07/05/2028	113	-
USD 2,800,000	Venezuela Government International Bond 11.75% 21/10/2026	115	-
USD 5,840,000	Venezuela Government International Bond 11.95% 05/08/2031	240	0.01
USD 4,800,000	Venezuela Government International Bond 12.75% 23/08/2022	197	0.01
		545,674	20.50
	US Dollar Denominated Fixed Rate Corporate Debt Securities - 0.08% (2021 - 0.60%)		
USD 2,840,000	Ecopetrol 6.875% 29/04/2030	2,216	0.08
		2,216	0.08
	Australian Dollar Denominated Fixed Rate Government Bonds - 1.03% (2021 - 1.19%)		
AUD 11,920,000	Australia Government Bond 2.75% 21/05/2041	6,620	0.25
AUD 28,220,000	Australia Government Bond 3% 21/03/2047	16,220	0.61
AUD 7,590,000	Australia Government Bond 3.25% 21/06/2039	4,533	0.17
		27,373	1.03
	Australian Dollar Denominated Fixed Rate Corporate Debt Securities - 0.00% (2021 - 0.02%)		

Portfolio Statement continued

As at 28 February 2022

Holding/Nominal		Market Value £'000	% of Net Assets
Brazilian Real Denominated Fixed Rate Government Bonds - 4.44% (2021 - 3.99%)			
BRL 473,000,000	Brazil Notas do Tesouro Nacional Serie F 10% 01/01/2025	66,461	2.50
BRL 372,000,000	Brazil Notas do Tesouro Nacional Serie F 10% 01/01/2027	51,555	1.94
		118,016	4.44
Canadian Dollar Denominated Fixed Rate Government Bonds - 6.83% (2021 - 9.98%)			
CAD 23,500,000	Canadian Government Bond 1.5% 01/12/2031	13,225	0.50
CAD 127,540,000	Canadian Government Bond 0.25% 01/03/2026	70,505	2.65
CAD 15,500,000	Canadian Government Bond 0.5% 01/09/2025	8,715	0.33
CAD 50,000,000	Canadian Government Bond 1% 01/06/2027	28,200	1.06
CAD 63,000,000	Canadian Government Bond 1.5% 01/06/2026	36,601	1.38
CAD 15,500,000	Canadian Government Bond 4% 01/06/2041	11,600	0.44
CAD 15,500,000	Canadian Government Bond 5% 01/06/2037	12,374	0.47
		181,220	6.83
Canadian Dollar Written Put Options - 0.00% (2021 - 0.01%)			
Chilean Peso Denominated Fixed Rate Government Bonds - 3.24% (2021 - 2.54%)			
CLP 4,850,000,000	Bonos de la Tesoreria de la Republica en pesos 4.5% 01/03/2026	4,140	0.16
CLP 67,000,000,000	Bonos de la Tesoreria de la Republica en pesos 4.7% 01/09/2030	56,094	2.11
CLP 25,800,000,000	Bonos de la Tesoreria de la Republica en pesos 5% 01/10/2028	22,670	0.85
CLP 3,800,000,000	Bonos de la Tesoreria de la Republica en pesos 5% 01/03/2035	3,253	0.12
		86,157	3.24
Chinese Yuan Denominated Fixed Rate Government Bonds - 4.27% (2021 - 3.13%)			
CNY 427,200,000	China Government Bond 3.02% 27/05/2031	51,516	1.94
CNY 80,900,000	China Government Bond 3.25% 22/11/2028	9,857	0.37
CNY 424,000,000	China Government Bond 3.27% 19/11/2030	52,048	1.96
		113,421	4.27
Colombian Peso Denominated Fixed Rate Government Bonds - 2.48% (2021 - 2.81%)			
COP 455,880,000,000	Colombian TES 7.25% 26/10/2050	65,966	2.48
		65,966	2.48
Indonesian Rupiah Denominated Fixed Rate Government Bonds - 3.12% (2021 - 0.51%)			
IDR 765,000,000,000	Indonesia Government 1% 15/02/2031	39,879	1.50
IDR 535,000,000,000	Indonesia Government 6.375% 15/04/2032	27,890	1.05
IDR 290,000,000,000	Indonesia Treasury Bond 6.5% 15/02/2031	15,118	0.57
		82,887	3.12
Japanese Yen Denominated Fixed Rate Government Bonds - 6.45% (2021 - 16.88%)			
JPY 2,142,000,000	Japan Government Five Year Bond 0.1% 20/03/2024	13,881	0.52
JPY 4,300,000,000	Japan Government Five Year Bond 0.1% 20/06/2025	27,881	1.06
JPY 1,939,600,000	Japan Government Forty Year Bond 0.4% 20/03/2056	10,720	0.40
JPY 2,422,700,000	Japan Government Ten Year Bond 0.1% 20/09/2029	15,675	0.59
JPY 4,230,000,000	Japan Government Ten Year Bond 0.1% 20/09/2030	27,274	1.03
JPY 2,500,000,000	Japan Government Ten Year Bond 0.1% 20/12/2030	16,101	0.61
JPY 2,450,000,000	Japan Government Ten Year Bond 0.6% 20/06/2024	16,062	0.60
JPY 1,450,000,000	Japan Government Ten Year Bond 0.8% 20/06/2023	9,475	0.36
JPY 3,318,200,000	Japan Government Twenty Year Bond 0.4% 20/03/2040	20,778	0.78
JPY 2,150,000,000	Japan Government Twenty Year Bond 0.4% 20/06/2040	13,433	0.50
		171,280	6.45
Mexican Peso Denominated Fixed Rate Government Bonds - 5.68% (2021 - 4.24%)			
MXN 1,983,000,000	Mexican Bonos 7.75% 29/05/2031	71,342	2.68
MXN 1,331,500,000	Mexican Bonos 7.75% 23/11/2034	47,984	1.80
MXN 915,000,000	Mexican Bonos 7.75% 13/11/2042	31,887	1.20
		151,213	5.68
New Russian Ruble Denominated Fixed Rate Government Bonds - 1.44% (2021 - 2.46%)			
RUB 6,580,000,000	Russian Federal Bond - OFZ 7.65% 10/04/2030	38,425	1.44
		38,425	1.44
Norwegian Krone Denominated Fixed Rate Government Bonds - 2.11% (2021 - 1.37%)			
NOK 305,970,000	Norway Government Bond 1.375% 19/08/2030	24,208	0.91
NOK 171,770,000	Norway Government Bond 1.75% 06/09/2029	14,066	0.53
NOK 213,550,000	Norwegian Government 2.125% 18/05/2032	17,929	0.67
		56,203	2.11
Peruvian Nouveau Sol Denominated Fixed Rate Government Bonds - 3.65% (2021 - 2.75%)			
PEN 282,725,000	Peru Government Bond 5.35% 12/08/2040	47,546	1.79

Portfolio Statement continued

As at 28 February 2022

Holding/Nominal		Market Value	% of
		£'000	Net Assets
PEN 274,000,000	Peru Government Bond 5.4% 12/08/2034	49,372	1.86
		96,918	3.65
	Singapore Dollar Denominated Fixed Rate Government Bonds - 6.32% (2021 - 5.78%)		
SGD 52,280,000	Singapore Government Bond 2.25% 01/08/2036	29,290	1.10
SGD 54,000,000	Singapore Government Bond 2.375% 01/06/2025	30,541	1.15
SGD 51,000,000	Singapore Government Bond 2.875% 01/07/2029	29,933	1.13
SGD 56,900,000	Singapore Government Bond 2.875% 01/09/2030	33,642	1.26
SGD 71,010,000	Singapore Government Bond 3.375% 01/09/2033	44,583	1.68
		167,989	6.32
	South African Rand Denominated Fixed Rate Government Bonds - 3.00% (2021 - 3.12%)		
ZAR 26,000,000	Republic of South Africa Government Bond 7% 28/02/2031	1,057	0.04
ZAR 1,765,000,000	Republic of South Africa Government Bond 8% 31/01/2030	78,698	2.96
		79,755	3.00
	South Korean Denominated Fixed Rate Government Bonds - 0.22% (2021 - 0.00%)		
KRW 9,800,000,000	Korea Treasury Bond 2% 10/06/2031	5,779	0.22
		5,779	0.22
	Swedish Krona Denominated Fixed Rate Government Bonds - 3.57% (2021 - 3.61%)		
SEK 446,830,000	Sweden Government Bond 0.75% 12/11/2029	35,679	1.34
SEK 136,500,000	Sweden Government Bond 1.375% 23/06/2071	10,148	0.38
SEK 315,730,000	Sweden Government Bond 2.25% 01/06/2032	28,981	1.09
SEK 175,020,000	Sweden Government Bond 3.5% 30/03/2039	19,872	0.76
		94,680	3.56
	DERIVATIVES - (6.43)% (2021 - (3.99)%)		
	Sterling Interest Rate Swaps - (10.08)% (2021 - (2.41)%)		
(200,000,000)	Pay 0.4% Receive Variable 04/08/2022	(239)	(0.01)
(116,000,000)	Pay 0.8% Receive Variable 15/09/2022	(93)	-
14,000,000	Receive 3.5% Pay Variable 18/01/2023	678	0.03
(4,000,000)	Pay 3.4% Receive Variable 15/03/2024	(293)	(0.01)
(13,000,000)	Pay 3.5% Receive Variable 15/03/2024	(889)	(0.03)
(110,000,000)	Pay 3.6% Receive Variable 15/05/2024	(7,226)	(0.27)
(315,000,000)	Pay 3% Receive Variable 15/04/2025	(37,324)	(1.41)
(407,000,000)	Pay 3.1% Receive Variable 15/06/2025	(49,442)	(1.85)
(360,000,000)	Pay 3.3% Receive Variable 15/07/2025	(42,569)	(1.59)
(122,000,000)	Pay 3.4% Receive Variable 15/08/2025	(14,326)	(0.54)
224,000,000	Receive 1.7% Pay Variable 15/09/2025	54	-
(148,000,000)	Pay 3.5% Receive Variable 15/09/2025	(15,818)	(0.59)
(90,000,000)	Pay 3.5% Receive Variable 15/10/2025	(10,753)	(0.40)
(22,000,000)	Pay 3.4% Receive Variable 15/11/2025	(2,636)	(0.10)
(28,000,000)	Pay 3.5% Receive Variable 15/12/2025	(3,308)	(0.12)
(132,000,000)	Pay 3.3% Receive Variable 15/01/2026	(17,595)	(0.66)
(180,000,000)	Pay 3.4% Receive Variable 15/01/2026	(23,569)	(0.88)
(85,000,000)	Pay 3.6% Receive Variable 15/02/2026	(10,162)	(0.38)
(85,000,000)	Pay 3.4% Receive Variable 15/02/2026	(10,913)	(0.41)
(132,000,000)	Pay 3.3% Receive Variable 15/05/2027	(18,285)	(0.69)
(14,000,000)	Pay 3.5% Receive Variable 18/01/2028	(1,593)	(0.06)
(7,400,000)	Pay 3.5% Receive Variable 15/09/2028	(897)	(0.03)
(12,000,000)	Pay 3.6% Receive Variable 15/06/2029	(1,496)	(0.06)
(6,000,000)	Pay 3.8% Receive Variable 15/08/2031	(732)	(0.03)
(1,500,000)	Pay 0.0% Receive Variable 13/06/2052	(108)	-
(1,500,000)	Receive 0.0% Pay Variable 13/06/2052	191	0.01
		(269,343)	(10.08)
	Sterling Open Futures Contracts - (0.16)% (2021 - 0.00%)		
733	ICE 3M Sonia June 2022 Futures	(1,785)	(0.07)
1,467	ICE 3M Sonia March 2022 Futures	(2,124)	(0.08)
104	ICE 3M Sonia September 2022 Futures	8	-
(1,669)	UK Long Gilt Futures June 2022	(207)	(0.01)
		(4,108)	(0.16)
	Australian Dollar Interest Rate Swap - 0.01% (2021 - 0.00%)		
51,000,000	Receive 1.3% Pay Variable 18/03/2024	121	0.01
(21,000,000)	Pay 1.8% Receive Variable 17/03/2027	(177)	-
		(56)	0.01
	Australian Dollar Open Futures Contracts - 0.14% (2021 - (0.03)%)		
(4,967)	Australian 3Y Bond March 2022 Futures	3,768	0.014
		3,768	0.014

Portfolio Statement continued

As at 28 February 2022

Holding/Nominal	Market Value £'000	% of Net Assets	
Australian Dollar Open Forward Exchange Contracts - 0.08% (2021 - 0.13%)			
Bought AUD 230,000,000 : NZD 242,354,680	2,123	0.08	
Bought AUD 19,414,200 : GBP 10,421,031	37	-	
Sold AUD 76,644,852 : GBP 41,343,188	57	-	
	2,217	0.08	
Brazilian Real Open Forward Exchange Contracts - (0.03)% (2021 - 0.00%)			
Bought BRL 106,578,971 : USD 19,600,000	757	(0.03)	
	757	(0.03)	
Canadian Dollar Open Forward Exchange Contracts - 0.20% (2021 - 0.19%)			
Bought CAD 42,851,296 : GBP 25,372,976	(288)	0.01	
Sold CAD 484,915,000 : GBP 289,456,372	5,584	0.21	
	5,296	0.20	
Chinese Yuan Open Forward Exchange Contracts - 0.00% (2021 - 0.02%)			
Chinese Yuan Offshore Open Forward Exchange Contracts - 0.00% (2021 - 0.00%)			
Chilean Peso Open Forward Exchange Contracts - 0.07% (2021 - (0.69)%)			
Bought CLP 43,848,766,227 : USD 51,645,021	1,920	0.07	
	1,920	0.07	
Colombian Peso Open Forward Exchange Contracts - 0.00% (2021 - 0.00%)			
Bought COP 86,395,500,000 : USD 21,900,000	107	-	
	107	-	
Euro Credit Default Swaps - 0.00% (2021 - (0.87)%)			
Euro Interest Rate Swaps - 1.08% (2021 - 0.30%)			
198,000,000.00	Receive 2.9% Pay Variable 15/02/2024	1,907	0.07
184,800,000.00	Receive 2.2% Pay Variable 15/10/2024	6,366	0.24
113,380,000	Receive 2.3% Pay Variable 15/01/2025	2,775	0.10
129,000,000	Receive 2.5% Pay Variable 15/02/2025	1,497	0.06
50,000,000	Receive 0.8% Pay Variable 15/07/2025	4,740	0.18
197,000,000	Receive 0.7% Pay Variable 15/07/2025	19,249	0.72
(9,000,000)	Pay 0.7% Receive Variable 15/10/2025	(909)	(0.03)
147,800,000	Receive 2.1% Pay Variable 15/10/2026	5,723	0.21
73,900,000	Receive 2.0% Pay Variable 15/10/2026	3,097	0.12
(269,000,000)	Pay 5.0% Receive Variable 20/12/2026	(15,776)	(0.59)
		28,669	1.08
Euro Open Forward Exchange Contracts - 0.47% (2021 - (0.02)%)			
	Bought EUR 1,000,000 : USD 1,134,693	(11)	-
	Bought EUR 43,045,099 : CAD 62,000,000	(289)	(0.01)
	Bought EUR 89,700,006 : GBP 76,083,509	(1,052)	(0.04)
	Sold EUR 776,994,329 : GBP 663,758,806	13,825	0.52
		12,473	0.47
Euro Open Futures Contracts - 1.36% (2021 - (0.45)%)			
(700)	Euro-Bono March 2022 Futures	4,174	0.16
(2,337)	Euro-BTP March 2022 Futures	17,454	0.66
(2,002)	Euro-Oat March 2022 Futures	14,306	0.54
		35,934	1.36
Euro Written Put Options - 0.00% (2021 - 0.00%)			
75,000	BOP0006RQ1Z ALLIANZ 10.2 Put Option April 2022	6	-
210,000	BOP0007XGVS ALLIANZ 4.55 Put Option August 2022	28	-
		34	-
Hungarian Forint Open Forward Exchange Contracts - 0.00% (2021 - 0.00%)			
Israeli New Shekel Open Forward Exchange Contracts - 0.00% (2021 - 0.00%)			
	Sold ILS 80,000 : GBP 18,346	-	-
Japanese Yen Open Forward Exchange Contracts - 0.39% (2021 - (0.33)%)			
	Bought JPY 59,634,043 : CHF 485,000	(8)	-
	Bought JPY 33,645,000,000 : USD 291,474,756 S	(142)	(0.01)
	Bought JPY 4,200,000,000 : GBP 27,969,521	(827)	(0.03)
	Sold JPY 55,807,310,409 : GBP 371,989,203	11,341	0.43
		10,364	0.39

Portfolio Statement continued

As at 28 February 2022

Holding/Nominal		Market Value £'000	% of Net Assets
	Mexican Peso Open Forward Exchange Contracts - 0.02% (2021 - 0.00%)		
	Bought MXN 590,489,443 : USD 28,032,832	513	0.02
		513	0.02
	New Russian Ruble Open Forward Exchange Contracts - (0.58)% (2021 - 0.00%)		
	Bought RUB 7,174,685,958 : USD 90,950,000	(15,409)	(0.58)
		(15,409)	(0.58)
	New Zealand Dollar Open Forward Exchange Contracts - 0.00% (2021 - 0.00%)		
	Bought NZD 12,570,072 : GBP 6,200,000	116	-
		116	-
	Norwegian Krone Interest Rate Swap - 0.01% (2021 - 0.00%)		
59,000,000.000	Receive 1.5% Pay Variable 07/01/2025	91	0.01
		91	0.01
	Norwegian Krone Open Forward Exchange Contracts - 0.00% (2021 - 0.02%)		
	Sold NOK 697,029,727 : GBP 58,422,591	(83)	-
		(83)	-
	Philippine Peso Open Forward Exchange Contracts - 0.00% (2021 - 0.00%)		
	Polish Zloty Open Forward Exchange Contracts - (0.02)% (2021 - 0.00%)		
	Bought PLN 301,623,782 : EUR 64,800,000	(474)	(0.02)
	Sold PLN 50,000 : GBP 9,130	-	-
		(474)	(0.02)
	Singapore Dollar Open Forward Exchange Contracts - 0.00% (2021 - (0.07)%)		
	South African Rand Open Forward Exchange Contracts - (0.01)% (2021 - 0.00%)		
	Bought ZAR 1,319,000,566 for USD 85,477,380	(153)	(0.01)
		(153)	(0.01)
	South Korean Won Open Futures Contracts - (0.14)% (2021 - 0.00%)		
1,144	Korean 10Y Bond March 2022 Futures	(2,524)	(0.09)
3,702	Korean 3Y Bond March 2022 Futures	(1,435)	(0.05)
		(3,959)	(0.14)
	Swedish Krona Open Forward Exchange Contracts - 0.23% (2021 - 0.03%)		
	Sold SEK 1,258,550,000 : GBP 105,201,662	6,119	0.23
		6,119	0.23
	Swiss Franc Open Forward Exchange Contracts - 0.00% (2021 - 0.00%)		
	Bought CHF 485,000 : JPY 61,371,502	(4)	-
		(4)	-
	Swiss Franc Written Put Options - 0.00% (2021 - 0.00%)		
	Thai Baht Open Forward Exchange Contracts - 0.00% (2021 - 0.00%)		
	Bought THB 28,486,304 : USD 880,000	(6)	-
		(6)	-
	US Dollar Credit Default Swaps - 0.00% (2021 - 0.46%)		
	US Dollar Interest Rate Swaps - (1.04)% (2021 - 0.59%)		
11,300,000	Receive 0.9% Pay Variable 25/06/2026	356	(0.01)
(11,300,000)	Pay 0.9% Receive Variable 25/06/2026	(356)	0.01
(40,000,000)	Pay 1.0% Receive Variable 20/12/2026	(5,495)	0.21
115,000,000	Receive 1.0% Pay Variable 20/12/2026	16,199	(0.61)
(155,300,000)	Pay 5.0% Receive Variable 20/12/2026	(6,832)	0.26
(15,700,000)	Pay 1.8% Receive Variable 24/02/2032	(26)	-
15,700,000	Receive 1.8% Pay Variable 24/02/2032	26	-
163,000,000	Receive 1.4% Pay Variable 27/05/2030	23,999	(0.90)
		27,871	(1.04)

Portfolio Statement continued

As at 28 February 2022

Holding/Nominal	Market Value £'000	% of Net Assets
US Dollar Open Forward Exchange Contracts - 0.66% (2021 - 0.00%)		
Bought USD 97,094,745 : RUB 7,286,129,758	19,181	0.72
Bought USD 131,757,540 : KRW 155,205,111,818	2,026	0.08
Bought USD 114,802,293 : PHP 5,847,330,254	604	0.02
Bought USD 121,638,786 : GBP 90,440,900	355	0.01
Bought USD 14,838,425 : CLP 11,923,520,000	71	-
Bought USD 11,276,139 : EUR 10,000,000	52	-
Bought USD 239,108 : IDR3,430,000,000	-	-
Bought USD 12,846,294 : AUD18,000,000	(107)	-
Bought USD 16,600,000 : PEN 63,959,800	(374)	(0.01)
Bought USD 231,159,928 : SGD 316,016,727	(1,190)	(0.04)
Bought USD 378,096,681 : CNH2,422,924,806	(3,971)	(0.15)
Bought USD 112,083,546 for ZAR 1,822,263,936	(4,273)	(0.16)
Bought USD 187,358,600 : MXN3,986,615,000	(4,884)	(0.18)
Bought USD 98,118,529 : BRL 554,776,947	(6,858)	(0.26)
Sold USD 1,767,271,824 : GBP 1,336,095,593	16,932	0.63
	17,564	0.66
US Dollar Open Futures Contracts - 0.87% (2021 - (0.22)%)		
(17,096) US 90DAY EUR September 2024 Futures	23,612	0.89
3,322 US Treasury Note 10 Year June 2022 Futures	(191)	(0.01)
4,242 US Treasury Note 2 Year June 2022 Futures	27	-
4,173 US Treasury Note 5 Year June 2022 Futures	(180)	(0.01)
	23,268	0.87
US Dollar Written Call Option - 0.00% (2021 - 0.00%)		
190,000 BOP0006C1X9 ALLIANZ 78 Call Option April 2022	18	-
82,000 BOP0006RMJB ALLIANZ 74 Call Option April 2022	53	-
(190,000) BOP0007Y2KD ALLIANZ 78 Call Option April 2022	(18)	-
	53	-
US Dollar Written Put Options - 0.00% (2021 - 0.00%)		
Investment assets ¹	2,427,766	91.27
Net other assets	232,285	8.73
Net assets	2,660,051	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 2021.

Statement of Total Return

For the six months ended 28 February 2022 (unaudited)

	2022 £000s	2022 £000s	2021 £000s	2021 £000s
Income:				
Net capital losses		(202,009)		(82,322)
Revenue	21,563		40,612	
Expenses	(6,999)		(6,146)	
Interest payable and similar charges	(62)		(75)	
Net revenue before taxation	14,502		34,391	
Taxation	(256)		(96)	
Net (expense)/revenue after taxation		14,246		34,295
Total return before distributions		(187,763)		(48,027)
Distributions		(14,246)		(34,308)
Change in net assets attributable to shareholders from investment activities		(202,009)		(82,335)

Statement of Change in Net Assets Attributable to Shareholders

For the six months ended 28 February 2022 (unaudited)

	2022 £000s	2022 £000s	2021 £000s	2021 £000s
Opening net assets attributable to shareholders		3,000,316		2,263,155
Amounts receivable on issue of shares	222,033		964,958	
Amounts payable on cancellation of shares	(365,310)		(186,188)	
		(143,277)		778,770
Change in net assets attributable to shareholders from investment activities (see above)		(202,009)		(82,335)
Retained distributions on accumulation shares		5,016		12,364
Unclaimed distributions		5		6
Closing net assets attributable to shareholders		2,660,051		2,971,960

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 2022 (unaudited)

	28 February 2022 £000s	28 February 2022 £000s	31 August 2021 £000s	31 August 2021 £000s
Assets:				
Fixed assets:				
Investments		2,690,451		2,975,657
Current assets:				
Debtors	155,655		25,839	
Cash and bank balances	265,975		223,010	
Total assets		3,112,081		3,224,506
Liabilities:				
Investment liabilities		(262,685)		(212,770)
Creditors:				
Bank overdrafts	(28,490)			
Distribution payable	(8,873)		(8,183)	
Other creditors	(151,982)		(3,237)	
Total liabilities		(452,030)		(224,190)
Net assets attributable to shareholders		2,660,051		3,000,316

Fund Information

The name of the Fund was changed from the Allianz UK Equity Income Fund to the Allianz UK Listed Equity Income Fund on 7 May 2021 in order to reflect the fact that the Fund invests predominantly in companies which are listed in the UK.

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 Richard Knight	
Benchmark	FTSE All-Share Index	
Income allocation dates	Interim	28 February*
	Final	31 August
Income pay dates	Interim	30 April
	Final	31 December (normally 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
	W Shares(EUR)	28 October 2021
ISA status	Yes	
Share Classes and types of Shares	A (Income Shares) C (Accumulation Shares) C (Income Shares) E (Income Shares) W (Income Shares) W (Income Shares)(EUR)	
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)
	W Shares(EUR)	Lump sum £10,000,000 (Available to Approved Investors only)
Initial charge	A Shares	Nil
	C Shares	Nil
	E Shares	Nil
	W Shares	Nil
	W(EUR) Shares	Nil
Annual ACD fee	A Shares	1.25%
	C Shares	0.60%
	E Shares	0.28%
	W Shares	0.38%
	W(EUR) Shares	0.38%

*29 February in a leap year

Fund Information continued

As at 28 February 2022 (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 2022	3,456	1,049,390.24	329.31
C Shares Accumulation	28 February 2022	30,128	29,017,732.77	103.82
C Shares Income	28 February 2022	113,580	92,677,169.35	122.55
E Shares Income	28 February 2022	109,756	95,133,166.04	115.37
W Shares Income	28 February 2022	3,696	3,196,909.09	115.6
W EUR Shares Income	28 February 2022	1	1,000	86.4

Share Class C Accumulation was launched on 16 September 2021

Share Class W EUR Income was launched on 28 October 2021

Operating Charges

Share Class	Year Ended	(%)
A Shares Income	31 August 2021	1.38
C Shares Accumulation	31 August 2021	N/A
C Shares Income	31 August 2021	0.77
E Shares Income	31 August 2021	0.35
W Shares Income	31 August 2021	0.48
W EUR Shares Income	31 August 2021	N/A

Share Class C Accumulation was launched on 16 September 2021

Share Class W EUR Income was launched on 28 October 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 2021	6.9623
	30 April 2022	6.1526
C Shares Accumulation	31 October 2021	N/A
	30 April 2022	-
C Shares Income	31 October 2021	2.6174
	30 April 2022	2.261
E Shares Income	31 October 2021	2.4532
	30 April 2022	2.128
W Shares Income	31 October 2021	2.72
	30 April 2022	2.1335
W EUR Shares Income	31 October 2021	N/A
	30 April 2022	-

Share Class C Accumulation was launched on 16 September 2021.

Share Class W EUR Income was launched on 28 October 2021.

Please Note: Shareclasses C Accumulation distributes annually.

Please note: Investors are reminded that all other classes distribute bi-annually.

Investment Review

Performance Summary

Over the 6 month period under review, 1st September 2021 to 28th February 2022, the Fund's 'C' class shares produced a total return of 4.3%. The Fund's benchmark, the FTSE All Share Total Return Index, produced a total return of 2.4%. The main reason for the 1.9% outperformance was superior stock selection.

Market Background

The period under review was a volatile and uncertain time for both the UK and global markets, with important drivers pulling asset prices in different directions competing to set a shifting overall narrative. A broadly flat full period total return for the UK market, and 3-4% declines in the US and European markets, mask much stronger moves within the period. Much of the period was dominated by familiar themes over the progress of the coronavirus pandemic: rising vaccination rates amid the emergence of new Covid variants; the perceptions of the strength of national economies as they emerge from the pandemic; concerns over related supply chain disruption and inflationary pressure; and finally, the monetary policy response to these variables, with important implications for asset valuations and market rotation. If the market, at the broadest level, for much of the period was driven largely by the pandemic and derived economic implications of the pandemic, then this changed notably in the last month under review. Rising tensions between Ukraine and Russia, and between Russia and the West, culminated in the shocking invasion of Ukraine by Russian forces on the 24th of February. The invasion is first and foremost a humanitarian disaster; but has also introduced a powerful element of geopolitical risk to global markets and exacerbated many existing concerns around supply chains and commodity costs.

Developments around the pandemic and in Ukraine have had notable market impacts that can be summarised briefly as follows. Interest rate expectations have fluctuated widely, with UK ten-year yields hitting a period-low of 0.7% in December 2021 as fears for growth over the Omicron variant took hold; to a period-high of 1.6% in mid-February on concerns for high inflation, before the invasion triggered a risk-off trade at the end of the period. The moves in rate expectations have roughly correlated with market sentiment towards 'value' or 'growth' companies, with higher rate expectations linked to selloffs in more highly rated stocks. Commodities have seen

extreme price moves, with oil prices falling 20% between October and December on Omicron fears, before surging more than 40% to over \$100 per barrel for Brent crude by the end of February. Consequently, we have seen strong rallies in commodity-linked stocks, notably energy companies, and a great deal of volatility in banks and other interest-rate sensitive stocks. Towards the end of the period consumer cyclicals have underperformed markedly as supply chain disruption and commodity price inflation has stoked recession fears, particularly in Europe.

Portfolio Review

The portfolio comprises predominantly high yielding UK equities to achieve the dual objectives of exceeding the market total return over the long term and delivering a premium yield relative to the market, defined as the FTSE All-Share.

The fund outperformance during the period was due primarily to strong stock selection, rather than industry allocation, which was broadly neutral. The bulk of the net outperformance occurred in the latter half of the period and coincided with a tailwind from a market sentiment shift towards lower rated stocks and a narrowing of valuation dispersion in the market. We do not rely on such sentiment shifts to for our process and philosophy to work, but they are a helpful tailwind when they occur, and the opposite scenario of increasing polarisation in the market can create very compelling opportunities for alpha generation in later periods. Towards the end of the period the fund benefited from high oil and gas exposure amid sharply rising oil, gas, and energy prices. Our investment thesis is centred on a capital disciplined industry that is set to reap the rewards of a tight supply demand imbalance that is exacerbated by, but not dependent on, the situation in Ukraine.

Our high exposure to smaller companies was a drag on performance, with the FTSE 100 significantly outperforming smaller-company indices during the period. We practise an all-cap approach and are agnostic to the size of the companies in the portfolio. Smaller companies often underperform temporarily during periods of market stress and prices can diverge significantly from intrinsic value, but we have conviction in the long-term performance prospects of the smaller stocks we hold. At the end of the period, our cyclical exposure generally detracted from performance as recession

Investment Review continued

worries took hold. We believe many of these holdings to be more resilient than the market appreciates as economies continue to emerge from the pandemic.

The three stocks in the portfolio that contributed most to outperformance in the period are all commodity-related and were all added to the portfolio in the last twelve months. Atalaya and Energean both benefit from rising prices of their commodity outputs, respectively copper and natural gas, and both have strong stock-specific drivers and compelling investment cases. Drax Group was the strongest contributor to performance; benefiting from commodity-linked outputs (wholesale electricity), cost controlled inputs (biomass), and the advancement of very attractive prospects in the field of carbon capture and storage.

The three stocks that detracted the most from relative performance were HSBC, which we do not hold and rallied significantly; Shell, in which we hold an underweight position as we prefer to diversify the energy exposure over additional companies; and recent addition Homeserve. Homeserve has performed poorly since we acquired the stock in September, though fundamental results have been resilient, and we believe the market is significantly undervaluing the quality of the growth in cash flows on offer by this investment case.

We added five stocks to the portfolio in the period and sold out of six positions. Additions included pub company Fuller Smith & Turner; emerging market asset manager Ashmore; specialist bank Close Brothers; property developer U&I Group; and home maintenance and repair provider Homeserve. We sold out of international bank Barclays, auto distributor Inchcape, aerospace firm Meggitt, diversified miner BHP, drinks manufacturer Stock Spirits, and property developer U&I Group in the period. Notably, three of our sales – Stock Spirits, U&I, and Meggitt – were driven by takeover approaches at good prices.

Outlook

There has rarely been a period of greater macroeconomic uncertainty as today, with many contrasting forces. On the positive side economies are still emerging from the pandemic, with public health conditions especially in developed markets improving markedly and the prospects for a full reopening of economic activity looking bright. Consumers generally have

excess savings to spend, nominal wages are rising, and some goods and services are still likely to experience considerable pent-up demand or may have structurally stepped-up. Set against this we have global disruptions to supply chains, inflation concerns, and a major conflict on the borders of the European Union for the first time in a generation. In these uncertain circumstances, it is more important than ever to look to the individual investment cases in the portfolio for compelling risk return profiles and controlled downside risk, and to construct the portfolio to weather as many scenarios as possible.

Portfolio Statement

As at 28 February 2022

Holding		Market Value	% of
		£'000	Net Assets
	UNITED KINGDOM EQUITIES - 79.86% (2021 - 80.97%)		
	Aerospace & Defense - 2.54% (2021 - 3.48%)		
900,022	BAE Systems	6,631	2.54
		6,631	2.54
	Banks - 3.92% (2021 - 3.41%)		
516,336	Barclays	932	0.36
375,000	Close Brothers	4,256	1.63
2,217,779	Natwest	5,017	1.93
		10,205	3.92
	Beverages - 0.00% (2021 - 2.09%)		
	Construction & Materials - 6.14% (2021 - 5.70%)		
1,241,478	Eurocell	2,831	1.09
502,318	Keller	3,983	1.53
1,847,216	Norcros	4,951	1.90
1,241,296	Tyman	4,220	1.62
		15,985	6.14
	Electricity - 4.83% (2021 - 4.37%)		
1,056,420	Drax	7,358	2.82
312,260	SSE	5,240	2.01
		12,598	4.83
	Electronic & Electrical Equipment - 1.51% (2021 - 1.98%)		
1,315,998	Morgan Advanced Materials	3,928	1.51
		3,928	1.51
	Finance & Credit Services - 2.89% (2021 - 3.01%)		
953,826	OSB	4,739	1.82
558,627	Paragon Banking	2,785	1.07
		7,524	2.89
	Food Producers - 2.59% (2021 - 2.09%)		
908,998	Tate & Lyle	6,756	2.59
		6,756	2.59
	Gas, Water & Multi-Utilities - 2.06% (2021 - 2.29%)		
480,481	National Grid	5,376	2.06
		5,376	2.06
	General Industrials - 0.00% (2021 - 1.33%)		
	Household Goods & Home Construction - 3.72% (2021 - 4.97%)		
137,930	Bellway	3,880	1.49
1,029,764	Redrow	5,820	2.23
		9,700	3.72
	Industrial Metals & Mining - 0.00% (2021 - 1.00%)		
	Industrial Support Services - 1.28% (2021 - 2.37%)		
766,507	SThree	3,334	1.28
		3,334	1.28
	Investment Banking & Brokerage Services - 6.84% (2021 - 5.08%)		
1,610,000	Ashmore	4,038	1.55
919,607	IG	7,113	2.73
482,026	St. James's Place	6,676	2.56
		17,827	6.84
	Life Insurance - 1.28% (2021 - 1.55%)		
1,223,492	Legal & General	3,329	1.28
		3,329	1.28
	Media - 1.79% (2021 - 2.67%)		
1,962,545	ITV	2,166	0.83
110,068	RELX	2,505	0.96
		4,671	1.79

Portfolio Statement continued

As at 28 February 2022

Holding		Market Value £'000	% of Net Assets
699,143	Nonlife Insurance - 1.79% (2021 - 0.00%) HomeServe	4,674	1.79
		4,674	1.79
1,855,427	Oil, Gas & Coal - 10.33% (2021 - 9.28%) BP	6,577	2.52
3,580,263	Diversified Energy	4,210	1.62
442,845	Energiean	4,610	1.77
1,125,000	Hunting	2,616	1.00
448,372	Shell	8,892	3.42
		26,905	10.33
1,198,326	Personal Care, Drug & Grocery Stores - 1.31% (2021 - 1.43%) Tesco	3,420	1.31
		3,420	1.31
460,577	Pharmaceuticals & Biotechnology - 2.73% (2021 - 3.53%) GlaxoSmithKline	7,109	2.73
		7,109	2.73
18,101,473	Precious Metals & Mining - 1.50% (2021 - 1.05%) Pan African Resources	3,883	1.50
		3,883	1.50
433,931	Real Estate Investment Trusts - 3.22% (2021 - 3.65%) Land Securities	3,407	1.31
1,271,973	Palace Capital	3,002	1.15
5,370,490	Real Estate Investors	1,987	0.76
		8,396	3.22
1,540,765	Retailers - 3.21% (2021 - 1.94%) DFS Furniture	3,390	1.30
73,899	Next	4,985	1.91
		8,375	3.21
717,931	Software & Computer Services - 0.70% (2021 - 0.86%) Kin & Carta	1,831	0.70
		1,831	0.70
3,944,161	Telecommunications Service Provider - 2.00% (2021 - 1.95%) Vodafone	5,224	2.00
		5,224	2.00
349,829	Tobacco - 8.03% (2021 - 8.05%) British American Tobacco	11,417	4.38
584,905	Imperial Brands	9,522	3.65
		20,939	8.03
495,000	Travel & Leisure - 3.65% (2021 - 1.84%) Fuller Smith & Turner	3,366	1.29
1,256,882	National Express	2,986	1.15
1,282,416	TEN Entertainment	3,155	1.21
		9,507	3.65
5,957,389	OVERSEAS EQUITIES - 16.74% (2021 - 15.60%) Bermudian Equities - 3.73% (2021 - 1.42%) Capital Drilling	5,397	2.07
1,104,068	Conduit	4,339	1.66
		9,736	3.73
1,385,000	Cyprus Equities - 2.18% (2021 - 1.19%) Atalaya Mining	5,679	2.18
		5,679	2.18
43,084	France Equities - 4.19% (2021 - 3.31%) Sanofi	3,340	1.28
144,253	SCOR	3,557	1.37
105,390	TOTAL	4,015	1.54
		10,912	4.19
5,705,000	Guernsey Equities - 0.84% (2021 - 0.97%) Duke Royalty	2,196	0.84
		2,196	0.84
101,717	Ireland Equities - 2.24% (2021 - 2.07%) DCC	5,830	2.24
		5,830	2.24

Portfolio Statement continued

As at 28 February 2022

Holding		Market Value £'000	% of Net Assets
132,365	Isle of Man Equities - 0.86% (2021 - 1.30%) GVC	2,235	0.86
		<u>2,235</u>	<u>0.86</u>
445,103	Jersey Equities - 1.78% (2021 - 2.07%) WPP	4,631	1.78
		<u>4,631</u>	<u>1.78</u>
34,115	Singapore Equities - 0.00% (2021 - 2.24%) Swiss Re	2,402	0.92
		<u>2,402</u>	<u>0.92</u>
	DERIVATIVES - (0.02)% (2021 - 0.01%)		
	UK Written Call Options - (0.02)% (2021 - 0.01%)		
(200,000)	BP PLC 4 Call Option April 2022	(13)	-
(110,000)	NATIONAL GRID PLC 11 Call Option March 2022	(43)	(0.02)
(75,000)	WPP PLC 12 Call Option March 2022	(6)	-
		<u>(62)</u>	<u>(0.02)</u>
	Investment assets ¹	251,686	96.57
	Net other assets	8,930	3.43
	Net assets	260,616	100.00

¹ Includes derivative liabilities.

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

Note: Comparative figures show percentages for each category of holding at 31 August 2021.

Statement of Total Return

For the six months ended 28 February 2022 (unaudited)

	2022 £000s	2022 £000s	2021 £000s	2021 £000s
Income:				
Net capital gains		5,274		11,037
Revenue	4,153		1,193	
Expenses	(538)		(337)	
Interest payable and similar charges	(2)		-	
Net revenue before taxation	3,613		856	
Taxation	(18)		-	
Net revenue after taxation		3,595		856
Total return before distributions		8,869		11,893
Distributions		(3,546)		(1,158)
Change in net assets attributable to shareholders from investment activities		5,323		10,735

Statement of Change in Net Assets Attributable to Shareholders

For the six months ended 28 February 2022 (unaudited)

	2022 £000s	2022 £000s	2021 £000s	2021 £000s
Opening net assets attributable to shareholders		166,289		52,513
Amounts receivable on issue of shares	104,931		12,362	
Amounts payable on cancellation of shares	(15,961)		(6,842)	
		88,970		5,520
Dilution adjustment		-		12
Change in net assets attributable to shareholders from investment activities (see above)		5,323		10,735
Unclaimed distributions		34		32
Closing net assets attributable to shareholders		260,616		68,812

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 2022 (unaudited)

	28 February 2022 £000s	28 February 2022 £000s	31 August 2021 £000s	31 August 2021 £000s
Assets:				
Fixed assets:				
Investments		251,748		160,577
Current assets:				
Debtors	4,295		8,000	
Cash and bank balances	9,269		6,631	
Total assets		265,312		175,208
Liabilities:				
Investment liabilities		(62)		(15)
Creditors:				
Distribution payable	(4,253)		(3,629)	
Other creditors	(381)		(5,275)	
Total liabilities		(4,696)		(8,919)
Net assets attributable to shareholders		260,616		166,289

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 Target Benchmark, the FTSE UK Series 250 Excl. Investment Trusts Total Return (in GBP) over a rolling 5 year period.

We aim to achieve the investment objective by investing in securities listed on the London Stock Exchange. It is the general intention of the ACD to invest in stocks which constitute the FTSE UK Series 250 Excl. Investment Trusts Total Return (in GBP) although it may invest up to 40% of the Funds' assets outside of this index or internationally and in all economic sectors. We may also utilise deposits in the management of the portfolio. We may also invest in collective investment schemes.

Although the Fund will generally invest in stocks which constitute the benchmark, it will not be constrained by the benchmark. The Fund is actively managed and may invest up to 40% of its assets outside the benchmark.

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
	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 2022 (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 2022	720	14,370.35	5,014
C Shares Accumulation	28 February 2022	33,939	630,679.05	5,381.35
O Shares Accumulation	28 February 2022	181	183,753.48	98.36
W Shares Accumulation	28 February 2022	1	1,000	118.41

Operating Charges

Share Class	Year Ended	(%)
A Shares Accumulation	31 August 2021	1.56
C Shares Accumulation	31 August 2021	0.85
O Shares Accumulation	31 August 2021	0.20
W Shares Accumulation	31 August 2021	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 2021	3.1698
C Shares Accumulation	31 October 2021	34.2297
O Shares Accumulation	31 October 2021	1.1011
W Shares Accumulation	31 October 2021	1.151

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

Investment Review

Performance Summary

Over the six month period under review, 1st September 2021 to 28th February 2022, the Fund's A class produced a total return of -22.21%. The Fund's benchmark, the FTSE 250 ex Investment Trust index, produced a total return of -13.11% over the period.

Market Background

There have been a number of headwinds to equity market performance that developed over the current period.

The autumn of 2021 started with the realisation that the inflationary pressures the UK was seeing were more than temporary. The rising cost of materials had also been joined by wage inflation which, whilst good news for those who get a wage rise, is a headwind for corporate profits.

The spectre of structurally rising inflation (i.e. not merely cyclical and short term in nature) has caused global Central Banks, lead by the Bank of England, to start to raise interest rates. This has the effect of slowing down the economy by increasing the cost of finance and curtailing lending.

At the same time supply chain problems caused by ongoing covid shutdowns in Asia and a global logistics network infrastructure from ports to land transport that has been woefully under invested continued to restrict industrial activity.

The combination of the above three drivers with the added hit from Omicron over the winter meant that whilst economic growth remained positive it was actually slowing down and expectations for 2022 were being reigned in.

That in itself is a headwind for the equity market.

These drivers continued into 2022 and then came the Russian invasion of Ukraine which accelerated all the above. Russia and Ukraine are large exporters of raw metals, oil, gas and food materials. The curtailment of these exports drove inflation higher which drive rate expectations higher, added to the supply chain disruption and added a new headwind in the form of elevated uncertainty.

In summary, the headwinds to the economy rose over the period under review and therefore expectations of economic

growth were pulled back which, when brought down to the company level, meant that expectations of revenues has to be reduced. And then throw in inflationary pressures on costs and labour means that margins are also under pressure. And finally, the cost of debt is rising and, in the UK, the corporate tax rate is rising.

Therefore, UK corporate earnings are under pressure from most parts of a company Profit & Loss account.

Portfolio Review

A number of sales occurred in the period inline with the relatively recent policy to seek to avoid near term relative losses:

In November it became apparent that the UK house building industry faced a number of headwinds that would have the combined effect to almost eliminate profit growth into the medium term. The economy was slowing and interest rates were rising whilst the government was reducing its financial support for house buying– that would reduce demand for new housing. Inflationary cost pressures such as materials and labour costs were rising faster and for the first time since 2009 land prices were rising which would pressure profitability. In addition, new levies and retrospective remediation costs were being forced onto the industry to bring residential properties up to modern fire safety standards. And for most in the industry, the Ground Rent issue still remained to be resolved whereby housing companies would need to compensate house buyers for onerous Ground Rent payments over many years. Therefore, we sold all the housebuilders in the fund.

Blue Prism, the robotic process automation business was taken over by SS&C Technologies and so was sold from the fund.

The slowing economies and pressure on the consumer in the UK and elsewhere caused us to sell our holding in ASOS, the online fashion retailer and Dunelm the UK homewear retailer.

Upon the invasion of Ukraine by Russia we sold the position in the eastern European low cost airline Wizz Air. The investment thesis had been for Wizz Air to come out of the pandemic materially stronger than when it entered given its modern fleet, market leading position and strong balance sheet. However,

the near term headwinds from the war has reduced its attraction.

And delays in completion of the audit of S4 Capital, the pure digital advertising business, meant we prudently sold our holding. In another angle of risk control, we sold our holding in the Baltic Classifieds, the eastern European online property and used car advertiser where though we continue to like the fundamentals of the business the stock risk was considered too high.

To then reinvest the proceeds from these sales the fund bought:

Drax: a 100% dispatchable, renewable power generation. Coal generation stopped in 2021. The investment thesis centres around Biomass being a renewable energy source which has increased in likelihood given recent events in Ukraine / Russia. In addition, the business supplies wood pellets.

Weir: a refocused business selling machinery and aftermarket consumables into the mining industry. Very biased to production following the sale of Oil & Gas.

Tate & Lyle: a global provider of ingredients and solutions for the food, beverage and industrial

markets that is refocusing on higher margin speciality ingredients and disposing of the lower margin commoditised businesses.

Energiean: a Mediterranean exploration and production company where the large Karish field is about to come onstream. Then will be 80% gas production though the transformational Israeli project.

Outlook

The headwinds discussed above remain in place today and have only intensified.

Inflation continues to rise, Central Banks continue to show willing to raise interest rates in response. Supply chains remain problematic driven by covid shut downs in Asia and woeful under investment in infrastructure over the last three decades.

The UK economy therefore continues to slow and the UK consumer is now facing materially higher energy bills, rising food prices and rising cost of borrowing. It is inevitable that the consumer will divert spending away from discretionary items and onto these essentials of energy, food and mortgages.

Companies will face similar pressures and we suspect the current supply pressures of cost and availability will turn into demand destruction and so company earnings will come under more pressure.

The war in Ukraine adds to uncertainty and adds to the headwinds of inflation and supply chain problems.

At some stage this will be priced into the market but it feels too soon for now.

Hence, for now, the market remains under pressure.

Portfolio Statement

As at 28 February 2022

Holding		Market Value	% of
		£'000	Net Assets
	UNITED KINGDOM EQUITIES - 78.11% (2021 - 88.41%)		
	Construction & Materials - 3.42% (2021 - 3.86%)		
235.618	Genuit	1,192	3.42
		1,192	3.42
	Electronic & Electrical Equipment - 12.75% (2021 - 11.60%)		
78.506	Oxford Instruments	1,802	5.17
276.222	Rotork	841	2.42
58.500	Spectris	1,797	5.16
		4,440	12.75
	Finance & Credit Services - 4.97% (2021 - 3.88%)		
348.242	OSB	1,730	4.97
		1,730	4.97
	Household Goods & Home Construction - 0.00% (2021 - 3.83%)		
	Industrial Engineering - 0.00% (2021 - 3.12%)		
	Industrial Metals & Mining - 2.49% (2021 - 2.37%)		
62.230	Hill & Smith	869	2.49
		869	2.49
	Industrial Support Services - 5.47% (2021 - 0.00%)		
131.235	Travis Perkins	1,903	5.47
		1,903	5.47
	Industrial Transportation - 3.75% (2021 - 3.22%)		
354.420	Redde Northgate	1,306	3.75
		1,306	3.75
	Investment Banking & Brokerage - 2.09% (2021 - 3.27%)		
554.163	Peel Hunt ¹	726	2.09
		726	2.09
	Media - 1.90% (2021 - 2.40%)		
144.159	S4 Capital	662	1.90
		662	1.90
	Non-life Insurance - 3.73% (2021 - 1.83%)		
194.421	HomeServe	1,300	3.73
		1,300	3.73
	Personal Care, Drug & Grocery Stores - 3.25% (2021 - 2.75%)		
545.843	PZ Cussons	1,133	3.25
		1,133	3.25
	Pharmaceuticals & Biotechnology - 3.98% (2021 - 4.80%)		
43.169	Genus	1,386	3.98
		1,386	3.98
	Retailers - 9.44% (2021 - 15.84%)		
93.620	Dunelm	1,092	3.13
262.634	Howden Joinery	2,198	6.31
		3,290	9.44
	Software & Computer Services - 13.38% (2021 - 18.34%)		
94.543	accesso Technology ¹	688	1.97
254.352	Auto Trader	1,691	4.85
567.937	Moneysupermarket.com	1,187	3.41
594.048	NCC	1,098	3.15
		4,664	13.38
	Travel & Leisure - 7.49% (2021 - 7.30%)		
40.925	Whitbread	1,186	3.40
43.209	Wizz Air	1,426	4.09
		2,612	7.49
	OVERSEAS EQUITIES - 12.30% (2021 - 11.43%)		
	Bermudian Equities - 3.71% (2021 - 2.90%)		
328.674	Conduit	1,292	3.71
		1,292	3.71

Portfolio Statement continued

As at 28 February 2022

Holding		Market Value £'000	% of Net Assets
Ireland Equities - 8.59% (2021 - 8.53%)			
157,696	Grafton	1,673	4.80
56,597	Keywords Studios ¹	1,321	3.79
		2,994	8.59
	Investment assets	31,499	90.41
	Net other assets	3,342	9.59
	Net assets	34,841	100.00

¹ Securities Listed on Alternative Investment Market.

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

Note: Comparative figures show percentages for each category of holding at 31 August 2021.

Statement of Total Return

For the six months ended 28 February 2022 (unaudited)

	2022 £000s	2022 £000s	2021 £000s	2021 £000s
Income:				
Net capital (losses)/gains		(10,398)		8,879
Revenue	426		172	
Expenses	(181)		(186)	
Interest payable and similar charges	-		-	
Net revenue/(expense) before taxation	245		(14)	
Taxation	-		6	
Net revenue/(expense) after taxation		245		(8)
Total return before distributions		(10,153)		8,871
Distributions		(15)		(1)
Change in net assets attributable to shareholders from investment activities		(10,168)		8,870

Statement of Change in Net Assets Attributable to Shareholders

For the six months ended 28 February 2022 (unaudited)

	2022 £000s	2022 £000s	2021 £000s	2021 £000s
Opening net assets attributable to shareholders		48,166		38,647
Amounts receivable on issue of shares	260		1,294	
Amounts payable on cancellation of shares	(3,417)		(5,246)	
		(3,157)		(3,952)
Change in net assets attributable to shareholders from investment activities (see above)		(10,168)		8,870
Closing net assets attributable to shareholders		34,841		43,565

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 2022 (unaudited)

	28 February 2022 £000s	28 February 2022 £000s	31 August 2021 £000s	31 August 2021 £000s
Assets:				
Fixed assets:				
Investments		31,499		48,088
Current assets:				
Debtors	45		341	
Cash and bank balances	3,422		1,858	
Total assets		34,966		50,287
Liabilities:				
Creditors:				
Other creditors	(125)		(2,121)	
Total liabilities		(125)		(2,121)
Net assets attributable to shareholders		34,841		48,166

Fund Information

The name of the Fund was changed from the Allianz UK Opportunities Fund to the Allianz UK Listed Opportunities Fund on 12 October 2021 in order to reflect the fact that the Fund invests predominantly in companies which are listed in the UK.

Investment Objective and Policy

The investment objective of the Allianz UK Listed 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 Tillet	
	Richard Knight	
Benchmark	FTSE All-Share 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	27 March 2014
	I Shares	1 June 2017
	I(EUR) Shares	28 October 2021
	Y Shares	20 February 2017
	O Shares	3 May 2018
	E Shares	28 October 2021
ISA status	Yes	
Share Classes and types of Shares	A (Accumulation Shares)	
	C (Accumulation Shares)	
	I (Accumulation Shares)	
	I (Accumulation Shares) (EUR)	
	Y (Accumulation Shares)	
	O (Accumulation Shares)	
	E (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)
	I Shares (EUR)	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)
	E Shares	Lump sum £25,000,000 (Available to Approved Investors only)
Initial charge	A Shares	Nil
	C Shares	Nil
	I Shares	Nil
	I Shares(EUR)	Nil
	Y Shares	Nil
	O Shares	Nil
	E Shares	Nil
Annual ACD fee	A Shares	1.25%
	C Shares	0.75%
	I Shares	0.50%
	I Shares(EUR)	0.50%
	Y Shares	0.30%
	O Shares	0.20%*
	E Shares	0.33%

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

Fund Information continued

As at 28 February 2022 (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 2022	434	5,405.62	8,030.04
C Shares Accumulation	28 February 2022	103,750	54,137,714.40	191.64
E Shares Accumulation	28 February 2022	10,317	10,239,810.51	100.75
I Shares Accumulation	28 February 2022	54,906	36,926,991.16	148.69
I EUR Shares Accumulation	28 February 2022	1	1,000	84.95
Y Shares Accumulation	28 February 2022	2	30	8,112.57
O Shares Accumulation	28 February 2022	5,384	4,136,979.24	130.14

Share Class E Accumulation and Share Class I EUR Accumulation were launched on 28 October 2021.

Operating Charges

Share Class	Year Ended	(%)
A Shares Accumulation	31 August 2021	1.29
C Shares Accumulation	31 August 2021	0.84
E Shares Accumulation	31 August 2021	n/a
I Shares Accumulation	31 August 2021	0.54
I EUR Shares Accumulation	31 August 2021	n/a
Y Shares Accumulation	31 August 2021	0.38
O Shares Accumulation	31 August 2021	0.20

Share Class E Accumulation and Share Class I EUR Accumulation were launched on 28 October 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 Accumulation	31 October 2021	121.9507
C Shares Accumulation	31 October 2021	3.1214
E Shares Accumulation	31 October 2021	n/a
I Shares Accumulation	31 October 2021	2.7866
I EUR Shares Accumulation	31 October 2021	n/a
Y Shares Accumulation	31 October 2021	160.8666
O Shares Accumulation	31 October 2021	0.1113

Share Class E Accumulation and Share Class I EUR Accumulation were launched on 28 October 2021.

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

Investment Review

Performance Summary

Over the 6 month period under review, 1st September 2021 to 28th February 2022, the Fund's 'C' class shares produced a total return of 4.5%. The Fund's benchmark, the FTSE All Share Total Return Index, produced a total return of 2.4%. The main reason for the 2.1% outperformance was stock selection.

Market Background

The period under review was a volatile and uncertain time for both the UK and global markets, with important drivers pulling asset prices in different directions competing to set a shifting overall narrative. A broadly flat full period total return for the UK market, and 3-4% declines in the US and European markets, mask much stronger moves within the period. Much of the period was dominated by familiar themes over the progress of the coronavirus pandemic: rising vaccination rates amid the emergence of new Covid variants; the perceptions of the strength of national economies as they emerge from the pandemic; concerns over related supply chain disruption and inflationary pressure; and finally, the monetary policy response to these variables, with important implications for asset valuations and market rotation. If the market, at the broadest level, for much of the period was driven largely by the pandemic and derived economic implications of the pandemic, then this changed notably in the last month under review. Rising tensions between Ukraine and Russia, and between Russia and the West, culminated in the shocking invasion of Ukraine by Russian forces on the 24th of February. The invasion is first and foremost a humanitarian disaster; but has also introduced a powerful element of geopolitical risk to global markets and exacerbated many existing concerns around supply chains and commodity costs.

Developments around the pandemic and in Ukraine have had notable market impacts that can be summarised briefly as follows. Interest rate expectations have fluctuated widely, with UK ten-year yields hitting a period-low of 0.7% in December 2021 as fears for growth over the Omicron variant took hold; to a period-high of 1.6% in mid-February on concerns for high inflation, before the invasion triggered a risk-off trade at the end of the period. The moves in rate expectations have roughly correlated with market sentiment towards 'value' or 'growth' companies, with higher rate expectations linked to selloffs in more highly rated stocks. Commodities have seen extreme price moves, with oil prices falling 20% between

October and December on Omicron fears, before surging more than 40% to over \$100 per barrel for Brent crude by the end of February. Consequently, we have seen strong rallies in commodity-linked stocks, notably energy companies, and a great deal of volatility in banks and other interest-rate sensitive stocks. Towards the end of the period consumer cyclicals have underperformed markedly as supply chain disruption and commodity price inflation has stoked recession fears, particularly in Europe.

Portfolio Review

The portfolio comprises UK equities selected with an unconstrained all-capitalisation approach to achieve the objective of exceeding the FTSE All Share total return over the long term, defined as rolling 3 and 5 year periods.

The fund outperformance during the period was due primarily to strong stock selection, rather than industry allocation, which was broadly neutral. The bulk of the net outperformance occurred in the latter half of the period and coincided with a tailwind from a market sentiment shift towards lower rated stocks and a narrowing of valuation dispersion in the market. We do not rely on such sentiment shifts to for our process and philosophy to work, but they are a helpful tailwind when they occur, and the opposite scenario of increasing polarisation in the market can create very compelling opportunities for alpha generation in later periods. Towards the end of the period the fund benefited from high oil and gas exposure amid sharply rising oil, gas, and energy prices. Our investment thesis is centred on a capital disciplined industry that is set to reap the rewards of a tight supply demand imbalance that is exacerbated by, but not dependent on, the situation in Ukraine.

Our high exposure to smaller companies was a drag on performance, with the FTSE 100 significantly outperforming smaller-company indices during the period. We practise an all-cap approach and are agnostic to the size of the companies in the portfolio. Smaller companies often underperform temporarily during periods of market stress and prices can diverge significantly from intrinsic value, but we have conviction in the long-term performance prospects of the smaller stocks we hold. At the end of the period, our cyclical exposure generally detracted from performance as recession worries took hold. We believe many of these holdings to be

Investment Review continued

more resilient than the market appreciates as economies continue to emerge from the pandemic.

Of the three stocks in the portfolio that contributed most to outperformance, two were commodity related. Serica benefits from rising prices of natural gas and has a proven track record as a well-managed business capable of value accretive acquisitions. Drax Group benefits from commodity-linked outputs (wholesale electricity), cost controlled inputs (biomass), and the advancement of very attractive prospects in the field of carbon capture and storage. The strongest single contributor to performance was property developer U&I Group, which received a takeover approach at a substantial premium during the period, realising the benefits of a very strong future development pipeline for shareholders.

The three stocks that detracted the most from relative performance were HSBC, which we do not hold and rallied significantly; Shell, in which we hold an underweight position as we prefer to diversify the energy exposure over additional companies; and housebuilder Crest Nicholson. Crest has de-rated in concert with other housebuilders as incremental pressures on the industry have appeared, including liabilities related to cladding, extra taxation, and cost inflation amid fears of a more muted context for house prices. The sector still enjoys some very strong underlying drivers, with far too few homes built in the UK to satisfy demand. Crest Nicholson is trading at an extremely compelling valuation and has a sound balance sheet, and we have confidence in the long term investment case, which includes a stock specific turnaround under a well-regarded management team.

We added seven stocks to the portfolio in the period and sold out of three positions. Additions included specialist banks Close Brothers, Paragon, and Distribution Finance Capital; emerging market asset manager Ashmore; travel concession operator SSP Group; leisure operator XP Factory; and home maintenance and repair provider Homeserve. We sold out of aerospace firm Meggitt, property developer U&I Group, and drinks manufacturer Stock Spirits, all of which received takeover bids in the period at substantial premiums to the prevailing share price.

Outlook

There has rarely been a period of greater macroeconomic uncertainty as today, with many contrasting forces. On positive side economies are still emerging from the pandemic, with public health conditions especially in developed markets improving markedly and the prospects for a full reopening of economic activity looking bright. Consumers generally have excess savings to spend, nominal wages are rising, and some goods and services are still likely to experience considerable pent-up demand or may have structurally stepped-up. Set against this we have global disruptions to supply chains, inflation concerns, and a major conflict on the borders of the European Union for the first time in a generation. In these uncertain circumstances, it is more important than ever to look to the individual investment cases in the portfolio for compelling risk return profiles and controlled downside risk, and to construct the portfolio to weather as many scenarios as possible.

Portfolio Statement

As at 28 February 2022

Holding		Market Value £'000	% of Net Assets
	UNITED KINGDOM EQUITIES - 81.79% (2021 - 86.58%)		
	Aerospace & Defence - 2.11% (2021 - 2.52%)#		
500,000	BAE Systems	3,684	2.11
		3,684	2.11
	Banks - 2.85% (2021 - 1.31%)		
310,000	Close Brothers	3,519	2.01
650,000	Natwest	1,470	0.84
		4,989	2.85
	Beverages - 0.00% (2021 - 2.10%)		
	Construction & Materials - 6.01% (2021 - 9.44%)#		
745,000	Eurocell	1,699	0.97
380,000	Keller	3,013	1.72
1,280,000	Norcros	3,430	1.96
700,000	Tyman	2,380	1.36
		10,522	6.01
	Electricity - 2.25% (2021 - 1.79%)		
565,000	Drax	3,935	2.25
		3,935	2.25
	Finance & Credit Services - 3.85% (2021 - 1.94%)		
3,000,000	Distribution Finance Capital	1,380	0.79
525,000	OSB	2,608	1.49
550,000	Paragon Banking	2,742	1.57
		6,730	3.85
	Gas, Water & Multiutilities - 1.86% (2021 - 2.28%)		
7,850,000	Infrastrata	1,021	0.58
200,000	National Grid	2,238	1.28
		3,259	1.86
	General Industrials - 2.53% (2021 - 1.45%)#		
3,050,000	Melrose Industries	4,430	2.53
		4,430	2.53
	Household Goods & Home Construction - 6.48% (2021 - 7.96%)		
1,325,000	Crest Nicholson	3,962	2.27
4,524,075	Likewise	1,606	0.92
775,000	Redrow	4,380	2.51
886,500	Walker Greenbank	1,356	0.78
		11,304	6.48
	Industrial Support Services - 2.70% (2021 - 5.52%)		
4,245,000	Driver ¹	1,613	0.92
1,590,000	Empresaria ¹	1,272	0.73
423,407	SThree	1,842	1.05
		4,727	2.70
	Investment Banking & Brokerage - 8.19% (2021 - 7.34%)		
1,350,000	Ashmore	3,386	1.94
615,000	IG	4,757	2.72
6,500,000	Mercia Asset Management ¹	2,015	1.15
300,000	St. James's Place	4,155	2.38
		14,313	8.19
	Media - 1.79% (2021 - 2.19%)		
450,000	Ocean Outdoor	3,125	1.79
		3,125	1.79
	Nonlife Insurance - 0.99% (2021 - 0.00%)		
260,000	HomeServe	1,738	0.99
		1,738	0.99
	Oil, Gas & Coal - 13.50% (2021 - 13.80%)		
1,175,000	BP	4,165	2.38
2,000,000	Diversified Energy ¹	2,352	1.35
220,000	Energiean	2,290	1.31
6,150,000	Enteq Upstream ¹	830	0.48
990,000	Hunting	2,302	1.32
800,000	Longboat Energy	408	0.23
1,100,000	Serica Energy ¹	3,113	1.78
410,000	Shell	8,131	4.65
		23,591	13.50

Portfolio Statement continued

As at 28 February 2022

Holding		Market Value £'000	% of Net Assets
	Precious Metals & Mining - 3.67% (2021 - 3.38%)		
160,000	Endeavour Mining	3,192	1.83
15,000,000	Pan African Resources	3,218	1.84
		6,410	3.67
	Real Estate Investment & Services - 2.14% (2021 - 4.17%)		
900,000	Helical	3,735	2.14
		3,735	2.14
	Real Estate Investment Trusts - 2.69% (2021 - 3.86%)		
1,445,000	Palace Capital	3,410	1.95
3,500,000	Real Estate Investors	1,295	0.74
		4,705	2.69
	Retailers - 1.26% (2021 - 1.38%)		
1,000,000	DFS Furniture	2,200	1.26
		2,200	1.26
	Software & Computer Services - 1.21% (2021 - 1.81%)		
600,000	Baltic Classifieds	957	0.55
450,000	Kin & Carta	1,148	0.66
		2,105	1.21
	Tobacco - 7.18% (2021 - 7.50%)		
200,000	British American Tobacco	6,527	3.73
370,000	Imperial Brands	6,024	3.45
		12,551	7.18
	Travel & Leisure - 8.53% (2021 - 4.84%)		
4,750,000	Escape Hunt	1,235	0.71
528,000	Fuller Smith & Turner	3,590	2.05
310,000	JET2	3,987	2.28
1,225,340	SSP	3,460	1.98
1,075,000	TEN Entertainment	2,645	1.51
		14,917	8.53
	OVERSEAS EQUITIES - 11.97% (2021 - 12.12%)		
	Bermuda Equities - 2.47% (2021 - 1.69%)		
1,100,000	Conduit	4,323	2.47
		4,323	2.47
	Cyprus Equities - 2.13% (2021 - 1.99%)		
910,000	Atalaya Mining	3,731	2.13
		3,731	2.13
	Guernsey Equities - 0.96% (2021 - 1.17%)		
7,256,654	Better Capital PCC 2012	-	-
3,795,000	Duke Royalty	1,461	0.84
1,078,888	Mercantile Ports And Logisti ¹	216	0.12
		1,677	0.96
	Ireland Equities - 2.30% (2021 - 1.64%)		
70,000	DCC	4,012	2.30
		4,012	2.30
	Jersey Equities - 0.53% (2021 - 0.91%)		
2,200,000	SafeStyle UK	926	0.53
		926	0.53
	Singapore Equities - 3.58% (2021 - 4.72%)		
6,900,000	Capital Drilling	6,251	3.58
		6,251	3.58
	Investment assets	163,890	93.76
	Net other assets	10,904	6.24
	Net assets	174,794	100.00

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

¹ Securities Listed on Alternative Investment Market.

#The classifications and prior year comparatives have been updated, where required, to reflect changes in the Industry Classification of individual holdings.

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 2021.

Statement of Total Return

For the six months ended 28 February 2022 (unaudited)

	2022 £000s	2022 £000s	2021 £000s	2021 £000s
Income:				
Net capital gains		3,620		24,082
Revenue	2,411		1,467	
Expenses	(563)		(405)	
Interest payable and similar charges	-		-	
Net revenue before taxation	1,848		1,062	
Taxation	(30)		(33)	
Net revenue after taxation		1,818		1,029
Total return before distributions		5,438		25,111
Distributions		286		11
Change in net assets attributable to shareholders from investment activities		5,724		25,122

Statement of Change in Net Assets Attributable to Shareholders

For the six months ended 28 February 2022 (unaudited)

	2022 £000s	2022 £000s	2021 £000s	2021 £000s
Opening net assets attributable to shareholders		131,282		93,002
Amounts receivable on issue of shares	48,883		12,773	
Amounts payable on cancellation of shares	(11,095)		(5,555)	
		37,788		7,218
Change in net assets attributable to shareholders from investment activities (see above)		5,724		25,122
Closing net assets attributable to shareholders		174,794		125,342

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 2022 (unaudited)

	28 February 2022 £000s	28 February 2022 £000s	31 August 2021 £000s	31 August 2021 £000s
Assets:				
Fixed assets:				
Investments		163,890		129,576
Current assets:				
Debtors	3,488		1,046	
Cash and bank balances	8,536		1,132	
Total assets		175,914		131,754
Liabilities:				
Creditors:				
Other creditors	(1,120)		(472)	
Total liabilities		(1,120)		(472)
Net assets attributable to shareholders		174,794		131,282

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 2022.

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

28 April 2022

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 (£12,570 for 2022/2023 year, £12,300 2021/2022 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).

Risk warning

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

Complaints

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

Additional Information continued

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.

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