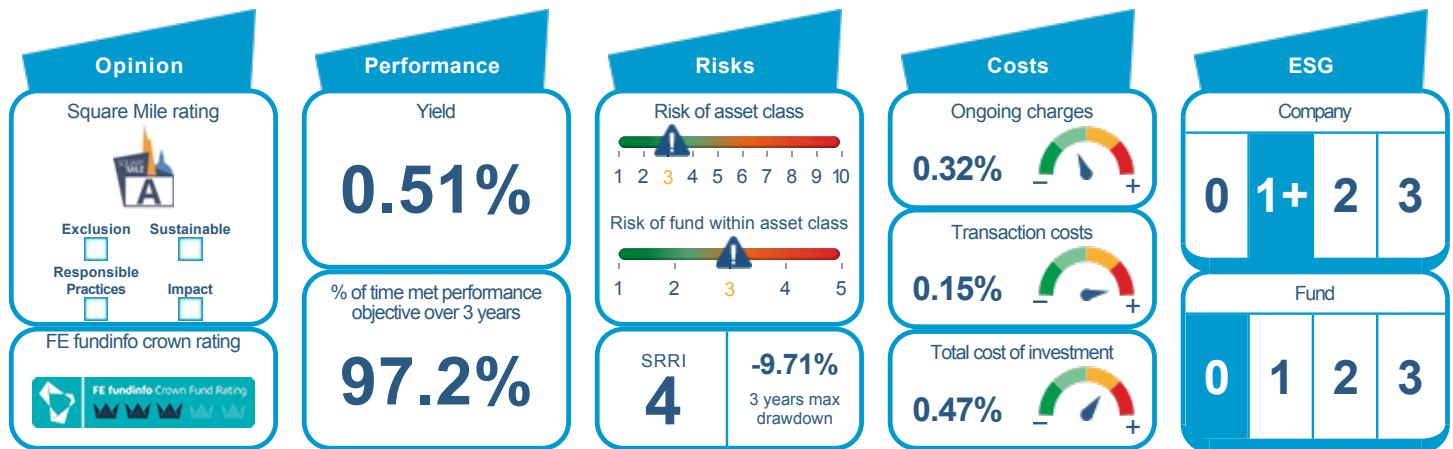


Allianz Gilt Yield I Inc

November 2021
Investment Research



Overview

The manager aims to deliver a secure but variable income that is comparable to the UK government bond market. The current yield on the fund is very low, reflecting the ultra-low interest rate environment. Income will be generated through the coupons paid by the bonds in which the fund invests. These bonds are issued by the UK government, or in a small number of cases by other developed market governments, and we therefore believe the income stream to be of the highest quality.

Capital Accumulation	Capital Preservation	Income	Inflation Protection
		●	

Square Mile Expected Outcome

We believe that this fund should outperform the FTSE UK Government All Stock Index, net of fees, over rolling three year periods

Active/Passive: Active	Domicile: United Kingdom
Asset Class: Fixed Income	IA Sector: IA UK Gilts
Launch Date: 16/05/2002	Fund Size (as at 12 Nov 2021): £2355.9m
Yield: 0.51%	Distribution Pay Date: Mar 01, Sep 01 (Final)
Fund Manager: Kacper Brzezniak, Mike Riddell	Ongoing Charge Figure: 0.32%
	Transaction Cost ex Ante: 0.15%



Fund Opinion

This fund gives exposure to UK government bonds (gilts) in a risk-controlled manner. Mr Riddell has many years of experience in managing bond funds for some of the UK's biggest asset management houses. Whilst Mr Riddell's experience of managing pure UK government bond mandates is limited to this fund, he has demonstrated during this time that he has the investment ability and nous to add value for investors. Our rating is based on Mr Riddell's careful and considered approach, his knowledge of bond markets and wider macroeconomic forces, and support from the Allianz team.

Historically this is a relatively efficient market, making it difficult for active managers to produce returns in excess of the benchmark. That said, opportunities for small additional returns do present themselves both in the primary and secondary market. Once fees have been deducted, any outperformance is likely to be slim. However, we feel that the considered approach which the manager employs is likely to be of benefit to investors at certain times of the economic cycle, for example during prolonged periods of rising yields. At such times an active manager should have an advantage over a passive investor through his ability to manage broad risks, such as interest rate risk, to the benefit of the end investor. Since Mr Riddell took over in November 2015, he has been very consistent in outperforming the index.

This fund is likely to be suitable for investors looking for a level of income broadly in line with that on the UK government bond market, and the diversification which exposure to this asset class brings to a balanced portfolio. The overall return profile is likely to be relatively similar to that of the benchmark.

Fund Description

Allianz Global Investors is a large, multinational investment house, managing bond, equity and alternative investments and with offices throughout the world.

The fund is managed by Mike Riddell, who joined Allianz Global Investors in October 2015. Mr Riddell began his investment career in 2001 at Premier Asset Management, before moving to M&G Investments in 2003. At M&G Mr Riddell managed a broad range of funds including UK, Emerging Markets and Global fixed income mandates. Jack Norris assists Mr Riddell having joined Allianz in July 2016 as an investment analyst and was appointed deputy manager of the fund in May 2021. Both Mr Riddell and Mr Norris are based in London and form part of the firm's Macro Unconstrained Group; a specialist team led by Mr Riddell and integrated into the global fixed income team. The managers also have access to the rest of the firm's fixed income resources, making particular use of additional global government and corporate bond expertise. The majority of the wider team are based in Paris, but converse regularly with Mr Riddell and Mr Norris via video links and telephone. In June 2016 Allianz Global Investors acquired Rogge Global Partners, whose expertise include global government bonds. The Rogge team are fully integrated into the Allianz team, thereby providing further resources for this fund.

Allianz Global Investors' investment process involves top-down macroeconomic trend analysis and the identification of turning points in market cycles. The European-based (London, Paris, Milan and Frankfurt) fixed income team meet regularly to discuss key macroeconomic trends including inflation, growth, central bank policy, risk appetite and long term government bond yields, in order to identify turning points in the markets. These meetings look across global markets, with the ideas from the team as a whole feeding into a global macroeconomic model. Mr Riddell will use this analysis, as well as conducting fundamental bottom-up research, to construct a portfolio which he believes will take advantage of the key macroeconomic trends. The bottom-up work which Mr Riddell conducts specifically on the UK government bond market also looks to identify technical trends and mis-pricings, which Mr Riddell will look to exploit in the portfolio.

This is a UK government bond fund, although it may have some exposure to off-benchmark positions. The fund will be at least 80% invested in UK government bonds (gilts), with off-benchmark positions limited to inflation-linked issues and bonds that have an explicit government backing, including overseas bonds. Excess returns above the benchmark will be generated through management of interest rate risk and allocations to different bond maturities (yield curve trades), as well as exposure to off-benchmark positions, such as inflation-linked bonds, in the instance the manager believes that these are undervalued relative to conventional government bonds. The portfolio may use derivative instruments such as futures and interest rate swaps for both efficient portfolio management and if the manager believes they will add value. All currency exposure will be hedged to sterling.

Risk Summary

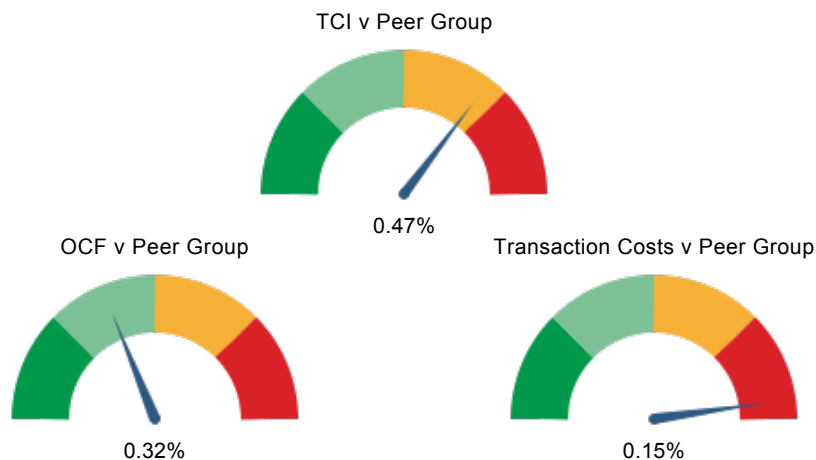
The fund invests in UK government bonds. The risk of the UK government defaulting on the income or capital payments of its obligations is very small. There is, however, a risk to the real (after inflation) value of the income stream should UK inflation rise significantly.

The nature of this market means that the average maturity of the securities in the fund is always likely to be high and can, at times, be in excess of 10 years, resulting in significant interest rate risk. Any rise in real bond yields may have a negative impact on the fund's value, particularly over the shorter and medium term. Should yields rise quickly such an impact could be severe. The fund may take small off-benchmark positions in overseas government bonds and index-linked securities, which may result in deviations from benchmark positioning and returns at times.

Value for Money

The fund's ongoing cost figure (OCF) is relatively low compared to the peer group, the transaction costs are however elevated due to how active the management of the fund is. The total cost of investing (TCI) of this fund is therefore slightly higher than the peer group median. We believe that this therefore represents very good value for money given Mr Riddell's market nous, particularly on the macroeconomic side, and his performance track record on the strategy.

Following the introduction of MiFID II regulations asset management firms are required to disclose all costs and charges related to the running and administration of funds. This can include items outside of the OCF, such as research costs. As a result, Allianz Global Investors now absorb the costs associated with their research, which marginally reduces the overall fee paid by investors.



ESG Integration

Company Assessment	0	1+	2	3
The company has made ESG factors available to the investment teams as an input to their analysis, but they are not compelled to consider that as a factor when making investment decisions.				
UN PRI Strategy & Governance Rating	A+			
Fund Assessment	0	1	2	3
There is no discernible approach to, or consideration of ESG factors in the fund's investment process.				

Responsible Investing Approach

Exclusion	Responsible Practices	Sustainability	Impact
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional Information

Annualised Return	3.70%
Annualised Volatility	7.65%
Max Drawdown	-9.71%
Max Gain	5.54%
Max Loss	-5.65%
Sharpe Ratio	0.44
Sortino Ratio	0.42

(3 years data to last month end unless otherwise stated)

Currency of Share Class

GBP

Fund Price (as at 12 Nov 2021)

201.6 pence

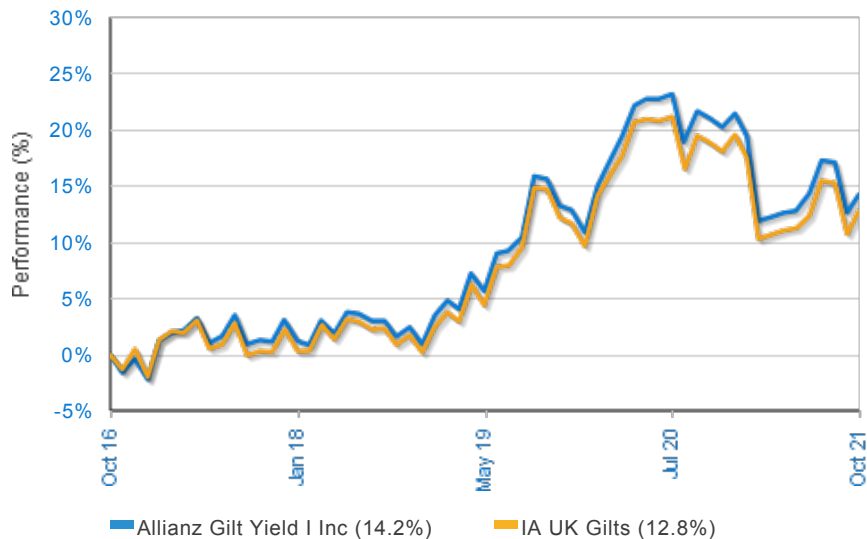
Benchmark

FTSE British Government All Stocks

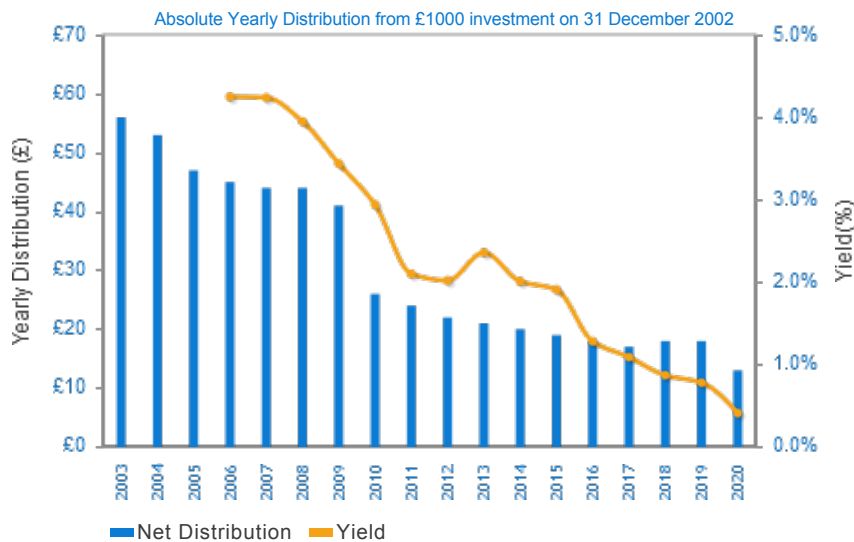
Discrete Annual Performance to Last Quarter End

Period	Fund (%)	Sector (%)	Quartile Ranking
0-12m	-7.4	-7.3	4
12-24m	5.2	4.1	1
24-36m	13.8	13.7	1
36-48m	0.7	0.9	2
48-60m	-4.6	-5.6	-

Capital Growth



Income



This graph assumes that income is distributed to shareholders and not reinvested. Yield represents share price fluctuations.

Bond Maturity

(Data as at 30 Sep 2021)

Name	%
Cash & Floating Rate Notes	0.2
1-3 Years	0.2
3-5 Years	16.2
5-15 Years	32.8
15+ Years	50.6

Asset Allocation Positioning

Name	%
UK Gilts	94.1
Global Government Fixed Interest	3.0
Asia Pacific Government Fixed Interest	2.6
European Government Fixed Interest	0.3

(Data as at 30 Sep 2021)

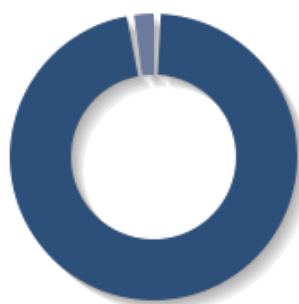
Top Ten Holdings

(Data as at 30 Sep 2021)

Company Name	%
HM TREASURY UNITED KINGDOM DMO 4.25% GILT 07/06/2032 GBP0.01	9.4
HM TREASURY UNITED KINGDOM DMO 0.625% TREASURY GILT 31/07/35 GBP0.01	8.5
HM TREASURY UNITED KINGDOM DMO 1.25% GILT 22/07/27 GBP1	7.9
HM TREASURY UNITED KINGDOM DMO 1.75% GILT 07/09/37 GBP0.01	7.5
HM TREASURY UNITED KINGDOM DMO 0.125% TREASURY GILT 31/01/24 GBP0.01	6.4
HM TREASURY UNITED KINGDOM DMO 4.75% GILT 07/12/30 GBP	5.3

Sector Breakdown

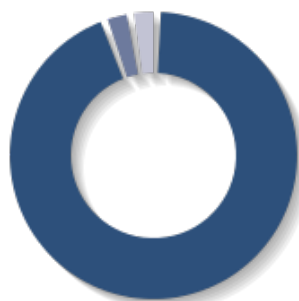
(Data as at 30 Sep 2021)



- Government Bonds (97%)
- Government Agency Bonds (3%)
- Money Market (0%)

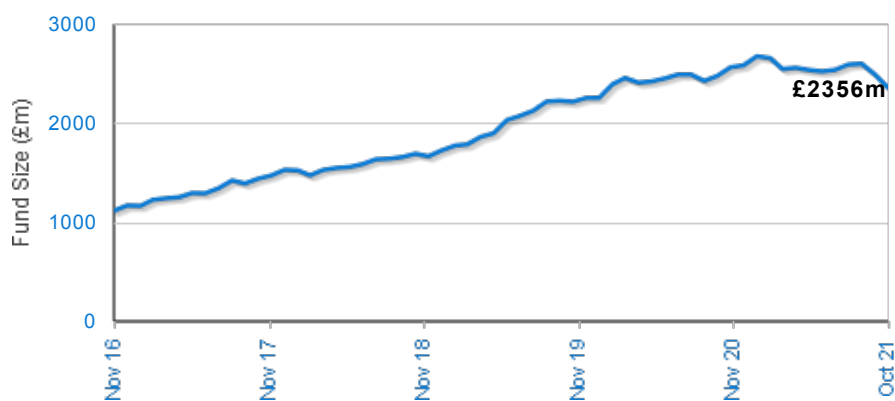
Geographic Breakdown

(Data as at 30 Sep 2021)



- UK (94%)
- Others (3%)
- Pacific Rim (3%)
- Europe (0%)

Assets Under Management



Qualitative Risk Assessment

	Significant	Potentially Significant	Not Significant
Equity Risk			●
Interest Rate Risk	●		
Credit Risk			●
Exchange Rate Risk			●
Liquidity Risk			●
Emerging Markets Risk			●
Derivative Risk		●	
Manager Risk	●		

Equity Risk

The fund has no material direct exposure to shares.

Interest Rate Risk

The fund is predominately invested in high quality fixed interest markets. The fund price may fall if interest rates climb more rapidly than expected.

Credit Risk

This fund does not have significant exposure to corporate debt.

Exchange Rate Risk

The fund is predominantly invested in domestic assets.

Liquidity Risk

The fund invests in liquid assets and any sale should be possible at close to the prevailing market price.

Emerging Markets Risk

The fund predominantly invests in securities issued by governments or companies in developed markets.

Derivative Risk

The portfolio is predominantly invested in underlying cash securities. The fund is permitted to use derivatives though historically these have not been widely employed by the manager.

Manager Risk

The manager is seen as a critical element in Square Mile's rating of the fund. Square Mile is likely to downgrade the fund if the manager were to leave.

FE Risk Rating: 45.00

SRRI: 4

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