



## PORTFOLIO BREAKDOWN

All data source LGIM unless otherwise stated. Totals may not sum due to rounding.



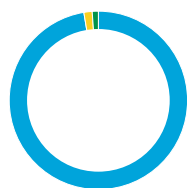
■ Top 10 issuers 28.4%  
■ Rest of portfolio 71.6%  
No. of issuers 121

### TOP 10 ISSUERS (%)

Bundesrepublik Deutschland	12.4
EDF SA	2.2
Rabobank Nederland	2.2
HSBC Holdings plc	2.0
RWE AG	1.7
ABN Amro Bank NV	1.6
SNS Bank Nederland	1.6
Caisse Nationale De Credit Agricole	1.6
Intesa Sanpaolo Spa	1.5
Carrefour SA	1.5

### TOP SECTOR OVER/UNDERWEIGHTS (%)

	Fund	Benchmark	Relative	
Sovereign	13.0	-	13.0	
Utilities	14.4	11.2	3.2	
Covered	1.2	-	1.2	
Technology	2.9	1.9	1.0	
Insurance	5.5	5.0	0.5	
Cash and Equivalents	0.5	-	0.5	
Consumer Services	3.9	3.4	0.5	
Banks	27.1	28.5	-1.3	
Health Care	3.5	5.4	-1.9	
Basic Materials	1.1	3.1	-2.0	
Telecommunications	5.1	7.3	-2.2	
Oil & Gas	1.4	4.9	-3.5	
Industrials	5.2	8.8	-3.6	
Consumer Goods	9.7	14.0	-4.3	



### CURRENCY (%)

■ EUR	97.4
■ GBP	1.5
■ USD	1.1

This is the currency breakdown before allowing for any hedging the fund may use. We aim to hedge the portfolio 100% back to the base currency.

### CREDIT RATING (%)

	Fund	Benchmark	Relative	
AAA	14.1	0.5	13.7	
AA	8.4	11.1	-2.7	
A	31.5	38.9	-7.4	
BBB	39.6	49.4	-9.8	
BB	5.8	-	5.8	
NR	0.0	-	-	
Cash	0.5	-	0.5	

## FUND MANAGER COMMENTARY

Risk assets had a poor end to the year, with December witnessing lower equity prices and wider credit spreads. This was despite the US and China postponing the next round of trade tariffs at the beginning of the month. European assets generally outperformed, particularly sterling credit. Italian assets also had a good month as political tensions eased, with an agreement on the Italian budget being reached.

The portfolio outperformed the benchmark over the month. Stock selection was positive for the portfolio's relative performance in December, particularly in utilities, industrials and banks. Performance also benefited from peripheral European exposure, which outperformed due to the rally in Italian risk assets. Our underweight stance in more cyclical sectors was positive, as these areas re-priced due to the recent weakness in the European growth outlook. On the negative side, selected off-benchmark positions and higher beta exposure suffered more during the spread widening.

Looking ahead, valuations have fallen a long way in a short period of time. After a quiet end to 2018, however, we should see a significant increase in corporate bond issuance at the start of 2019. We retain our cautious longer-term outlook but potentially there is a window of opportunity for some recovery given the improved valuations and positive macro developments.



**Marc Rovers**



**Matthew Rees**

### FUND MANAGERS

Marc joined LGIM in May 2012. Marc started in the industry in 1995 as a portfolio manager at ABP investments (now APG). He holds an MSc in economics and is a Certified European Financial Analyst (CEFA).

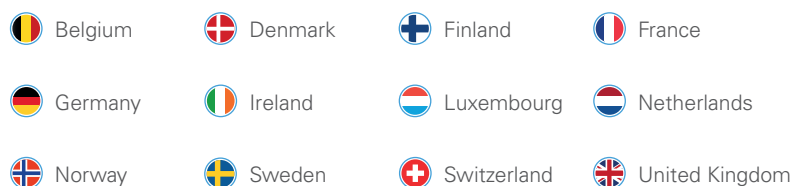
Matthew joined LGIM in March 2009. Matthew has more than 23 years' experience in financial services and graduated from the University of York with a BA (hons) in English.

## KEY RISKS

- This fund holds bonds that, rather than being traded on an exchange, are traded through agents, brokers or investment banks matching buyers and sellers. This makes the bonds less easy to buy and sell than investments that are traded on an exchange and on any particular day there may not be a buyer or a seller for the bonds. In times of market uncertainty or if an exceptional amount of withdrawals are requested it may become less easy for your fund to sell investments and the Manager may defer withdrawals, or suspend dealing. The Manager can only delay paying out if it is in the interests of all investors and with the permission of the fund trustee or depositary.
- The fund invests directly or indirectly in bonds which are issued by companies or governments. If these companies or governments experience financial difficulty, they may be unable to pay back some or all of the interest, original investment or other payments that they owe. If this happens, the value of your fund may fall.
- The fund could lose money if any institution providing services such as acting as counterparty to derivatives or other instruments, becomes unwilling or unable to meet its obligations to the fund.
- Derivatives are highly sensitive to changes in the value of the asset on which they are based and can increase the size of losses and gains.
- The fund may have underlying investments that are valued in currencies that are different from the currency of this share class. Any such investments will be impacted by exchange rate fluctuations and this may affect the value of your investment and any income from it. Currency hedging techniques may be applied to reduce the impact of exchange rate fluctuations but may not entirely eliminate it.
- We may take some or all of the ongoing charges from the fund's capital rather than the fund's income. This increases the amount of income, but it reduces the growth potential and may lead to a fall in the value of the fund.
- Investment returns on bonds are sensitive to trends in interest rate movements. Their values are likely to fall when interest rates rise. Such falls may be more pronounced in a low interest rate environment. Bonds with a short time to go before their maturity date will fall by less than bonds with a longer time to their maturity date.

For more information, please refer to the key investor information document on our website [↗](#)

## COUNTRY REGISTRATION



### SPOTLIGHT ON LEGAL & GENERAL INVESTMENT MANAGEMENT

We are one of Europe's largest asset managers and a major global investor, with assets under management of £984.8 billion (as at 30 June 2018). We work with a wide range of global clients, including pension schemes, sovereign wealth funds, fund distributors and retail investors.

Assets under management include derivative positions and assets managed by LGIMA, an SEC Registered Investment Advisor.

## DEALING INFORMATION

Valuation frequency	Daily, 16:00 CET
Dealing frequency	Each Business Day
Settlement period	T+3
Administrator/Custodian	Northern Trust

## CODES

ISIN LU1815131013

Bloomberg LGECZUA LX

## TO FIND OUT MORE

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## Important information

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Internal Fund Code: 5404