

Legal & General  
Mixed Investment 20-60% Fund  
**Interim Manager's  
Short Report  
for the period ended  
31 January 2017**

**EVERY  
DAY  
MATTERS.®**





## **Investment Objective and Policy**

This Fund aims to provide long term growth of both capital and income. The Fund will invest in shares, fixed interest securities and other assets including those giving indirect exposure to commodities and real property. Between 20% and 60% of the Fund's property will be invested in shares.

Exposure to these asset classes will be achieved generally through investment in collective investment schemes but may also be achieved by investing directly in the assets. At times the Fund may be fully invested in collective investment schemes only or directly invested only. The collective investment schemes invested in may include those managed by Legal & General.

The Fund may also invest in other transferable securities, other collective investment schemes, money market instruments, deposits, cash or near cash.

The Fund will use derivatives for efficient portfolio management purposes.

## **Risk Profile**

### **Credit risk**

This Fund holds investments in Collective Investment Schemes which directly invest in financial securities such as bonds. With these investments, there is a risk of suffering loss due to a party not meeting its financial obligations.

### **Market risk**

Market risk arises mainly from uncertainty about future prices. It represents the potential loss the Fund may suffer through holding market positions in the face of market movements. The Manager adheres to the investment guidelines and in this way, monitors and controls the exposure to risk from any type of security, sector or issuer.

### **Currency risk**

This Fund holds Collective Investment Schemes that invest in overseas financial securities. The performance of the Fund may therefore be affected by changes in exchange rates, through its holdings in these schemes.

### **Interest rate risk**

This Fund holds investments in interest distributing funds. The performance of the Fund may therefore be affected by changes in interest rates through its holdings in these schemes.

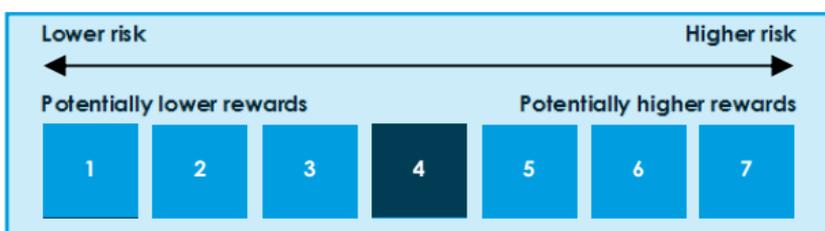
## Fund Facts

Period End Dates for Distributions:	31 Jan, 31 Jul	
Distribution Dates:	31 Mar, 30 Sep	
Ongoing Charges Figures:	31 Jan 17	31 Jul 16
C-Class	0.33%	0.35%
D-Class	0.97%	0.98%
I-Class	0.48%	0.49%
F-Class	0.57%	0.58%

The Ongoing Charges Figure (OCF) is the ratio of the Fund's total discloseable costs (excluding overdraft interest) and all costs suffered through holdings in underlying Collective Investment Schemes, to the average net assets of the Fund.

The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a fund and is calculated based on the last period's figures.

## Risk and Reward Profile



- This risk and reward profile is based on historical data which may not be a reliable indication of the Fund's risk and reward category in the future.
- The category is based on the rate at which the value of the Fund and a representative mix of the underlying funds have moved up and down in the past.
- This Fund is in category four because it invests, sometimes through other funds, in a variety of investments. A mixture of higher risk investments and lower risk investments has a balancing effect. The result is that this fund is lower risk than one investing only in company shares and higher risk than one investing only in investment grade bonds.
- The Fund's category is not guaranteed to remain the same and may change over time.
- Even a fund in the lowest category is not a risk free investment.

## Distribution Information

### C-Class

The distribution payable on 31 March 2017 is 0.6720p per unit for accumulation units.

### D-Class

The distribution payable on 31 March 2017 is 0.4749p per unit for distribution units and 0.4874p net per unit for accumulation units.

### I-Class

The distribution payable on 31 March 2017 is 0.6133p per unit for distribution units and 0.6352p net per unit for accumulation units.

### F-Class

The distribution payable on 31 March 2017 is 0.5769p per unit for distribution units and 0.5725p net per unit for accumulation units.

## Net Asset Values and Units in Issue

Class	Net Asset Value (£)	Units in Issue	Net Asset Value per Unit (p)
C-Class			
Accumulation Units	188,889,461	323,140,140	58.45
D-Class			
Distribution Units	461,461	829,515	55.63
Accumulation Units	4,590,573	7,972,045	57.58
I-Class			
Distribution Units	890,230	1,600,813	55.61
Accumulation Units	64,382,044	110,514,133	58.26
F-Class			
Distribution Units	86,549	158,550	54.59
Accumulation Units	1,104	2,000	55.50

**Past performance is not a guide to future performance.**

**The price of units and any income from them may go down as well as up.**

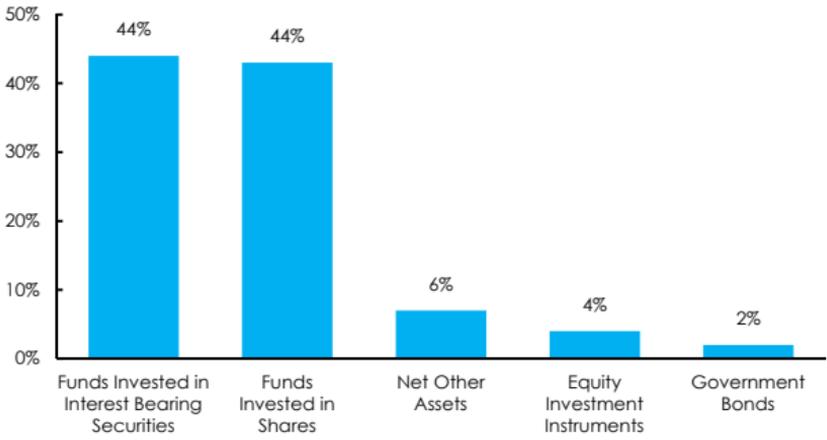
**Exchange rate changes may cause the value of any overseas investments to rise or fall.**

## Portfolio Information

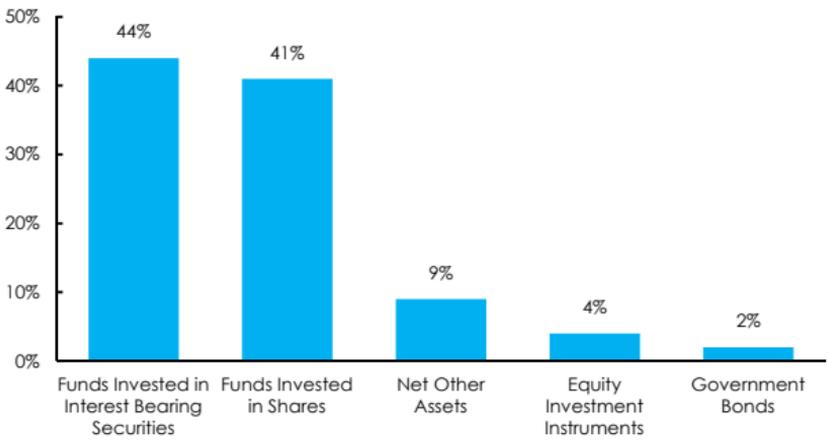
The top 10 holdings and their associated weighting at the current period end and preceding year end were:

Top 10 Holdings at 31 January 2017		Top 10 Holdings at 31 July 2016	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
LGIM Global Corporate Bond Fund (B Class) Accumulation	12.68%	Legal & General Sterling Corporate Bond Index Fund (L Class)	12.08%
Legal & General Sterling Corporate Bond Index Fund (L Class)	12.15%	LGIM Global Corporate Bond Fund (B Class) Accumulation	11.64%
Legal & General (N) Tracker Trust (I Class)	10.31%	Legal & General (N) Tracker Trust (I Class)	7.99%
Legal & General US Index Trust (I Class)	6.90%	Legal & General US Index Trust (I Class)	7.60%
Legal & General European Index Trust (I Class)	6.65%	Legal & General Emerging Markets Government Bond (US\$) Index Fund (L Class)	6.63%
Legal & General High Income Trust (I Class)	6.62%	Legal & General High Income Trust (I Class)	6.14%
Legal & General Emerging Markets Government Bond (US\$) Index Fund (L Class)	5.89%	Legal & General UK Index Trust (L Class)	5.77%
Legal & General Japan Index Trust (I Class)	4.47%	Legal & General European Index Trust (I Class)	5.54%
Legal & General Global Real Estate Dividend Index Fund (L Class)	4.36%	Legal & General Global Inflation Linked Bond Index Fund (L Class)	5.18%
Legal & General Global Inflation Linked Bond Index Fund (L Class)	3.82%	Legal & General Global Real Estate Dividend Index Fund (L Class)	4.34%

## Fund Holdings as at 31 January 2017



## Fund Holdings as at 31 July 2016



## **Manager's Investment Report**

During the six months under review, the bid price of the fund's I-Class accumulation units rose by 3.29%. The Fund slightly under-performed its peer group as funds within the Investment Association Mixed Investment 20-60% Sector delivered an average total return of 3.77% (Source: Lipper Hindsight).

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**The value of investments and any income from them may go down as well as up.**

**Exchange rate changes may cause the value of any overseas investments to rise or fall.**

## **Market/Economic Review**

The review period began with the UK market recovering well from the initial shock following the EU referendum's 'Leave' outcome and the Pound falling to multi-decade lows against the US Dollar. UK large-cap equities bounced back relatively quickly thanks to a reliance on international earnings, but UK mid-cap stocks took longer to return to their pre-referendum levels. Over the review period, the FTSE 100 eclipsed its mid-2015 peak, and through both December and January posted 14 straight days of gains to set a new record. Gilts were boosted after the Bank of England cut interest rates to 0.25% in August and extended its own quantitative easing (QE) programme to support the UK economy. Subsequently, consumer price inflation rose to its highest level in over two years and conventional gilts recorded a loss. In contrast, index-linked issues performed well as Sterling's continued weakness raised expectations that UK inflation will accelerate over 2017.

On the opposite shores of the Atlantic, the saga of the US presidential election came to an end with Donald Trump inaugurated as the 45th President of the United States. President Trump's victory led investors to discount the prospect of fiscal stimulus in the form of increased infrastructure spending and tax cuts. Although the strengthening Dollar remains a significant impediment for revenue growth, the latest quarterly earnings season has been broadly encouraging with results from leading IT and banking stocks exceeding forecasts. Financials have also been boosted by expectations that the new Republican administration will loosen the regulatory regime for the banking sector. Following the US election, the US Dollar rebounded sharply against the Yen, which provided a significant boost to Japanese stocks, particularly major exporting companies. The Bank of Japan's negative interest rate policy, and its recent announcement that it will intervene if necessary to keep the yield on benchmark 10-year bonds at around 0%, underpinned Japanese government bonds. While bond markets had anticipated a rise in US interest rates in December, the Federal Reserve (Fed) surprised investors with more hawkish guidance on monetary policy, signalling three further rate hikes in 2017.

## **Fund Review**

The Fund saw a positive return over the review period with equities contributing positively to performance. Risk assets performed well

## **Manager's Investment Report continued**

against the backdrop of a strengthening global economy and the unfolding implications of a Trump presidency in the US, including reduced deflationary pressures and the likelihood of higher infrastructure spending and tax cuts. Bond yields moved sharply higher, anticipating a higher path for US interest rates in 2017, and the US Dollar made further ground against the Euro, Yen and Sterling. US equities performed particularly well thanks to the additional benefit of a strengthening Dollar. Japanese equities boosted returns despite a weakened Yen and emerging market equities benefitted from improving sentiment around China. The lower allocation to fixed income meant that the impact of rising bond yields did not have a significant adverse effect on performance.

Sterling weakness provided an opportunity to increase our hedging of foreign currency. We reduced emerging markets exposure in favour of European and US equities, anticipating a tough environment for these assets if Trump's protectionist policies manifest.

In the fixed income space, we recently added to sovereign bonds as yields continued to rise and become more attractive. We also increased our exposure to US inflation by topping up our holding in global inflation-linked bonds.

### **Outlook**

While we remain positive on the global growth outlook for 2017, we are mindful of risks on the horizon. These risks include a number of European elections as well as medium-term challenges such as: China's debt and currency, the US moving to a late-cycle dynamic and the nature of the UK's relationship with the EU. We also have the uncertainty created by Trump's unconventional agenda and unpredictable approach. It remains to be seen in the next few months if he can satisfy all of the expectations placed on him by the market.

Our response to this environment is two-fold: a somewhat cautious stance on risk assets at the overall portfolio level, and a heightened emphasis on flexibility in managing allocations. However, we are not too negative as we believe we are still "mid-cycle", which is positive for risk assets. Interest rates are very low globally and only gradually increasing in the US.

Legal & General Investment Management Limited  
(Investment Adviser)  
16 February 2017

## **Manager's Report and Accounts**

Copies of the most recent Interim and Annual Long Form Manager's Reports are available free of charge by telephoning 0370 050 0955, by writing to the Manager or are available on the internet at [www.legalandgeneral.com/investments/fund-information/managers-reports](http://www.legalandgeneral.com/investments/fund-information/managers-reports).

Call charges will vary. We may record and monitor calls.

## **Minimum Investment Amounts**

The minimum initial lump sum investment amounts for each class are as follows:

C-Class	£100,000,000
D-Class	£500
I-Class	£1,000,000
F-Class	£500

In addition, monthly contributions can be made into the F-Class with a minimum amount of £50 per month.

C-Class Units are only available to distributors who actively market and distribute such Units (or whom the manager believes intends to do so) and to whom the Manager has confirmed by letter that they meet the criteria for investment in such Units.

F-Class units are only available to:

- i) investors who have received advice from authorised intermediaries and platforms in relation to their investment in units in the Fund and
- ii) authorised intermediaries or distributors who the Manager reasonably considers will adequately bear the costs of marketing to and acquiring investors at no or limited cost to the Manager, and to whom the Manager has confirmed that such distributor or investor meets the criteria for investment in such units.

## **Other Information**

The information in this report is designed to enable unitholders to understand how the Fund has performed during the period under review and how it is invested at the period end. Further information on the activities and performance of the Fund can be obtained by telephoning 0370 050 0955 or by writing to the Manager.

Call charges will vary. We may record and monitor calls.

**Authorised Fund Manager**

Legal & General (Unit Trust Managers) Limited

Registered in England and Wales No. 01009418

Registered office:

One Coleman Street,

London EC2R 5AA

Telephone: 0370 050 3350

Authorised and regulated by the Financial Conduct Authority

Call charges will vary. We may record and monitor calls.

**Trustee**

Northern Trust Global Services Limited

50 Bank Street,

Canary Wharf,

London E14 5NT

Authorised by the Prudential Regulation Authority and regulated

by the Financial Conduct Authority and the Prudential

Regulation Authority

**Independent Auditors**

PricewaterhouseCoopers LLP

7 More London Riverside

London SE1 2RT

**Authorised and regulated by the  
Financial Conduct Authority**

Legal & General  
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