

Legal & General Multi-Index 3 Fund  
(a Sub-fund of Legal and General  
Multi-Index Funds)

**Interim Manager's  
Short Report  
for the period ended  
15 February 2017**

**EVERY  
DAY  
MATTERS.®**





## **Investment Objective and Policy**

The aim of this Fund is to generate capital growth and income, and to keep the Fund within a pre-determined risk profile. The Fund's potential gains and losses are likely to be constrained by the aim to stay within the risk profile.

The Fund will have exposure mainly to fixed income securities (both government and non-government) and cash, with some exposure to equities and property. To obtain this exposure, the Fund will invest predominantly in collective investment schemes which may also provide an indirect exposure to money market instruments, deposits, near cash and alternative asset classes (such as commodities). The Fund will mainly invest in Index tracker schemes which are operated by Legal & General.

The Fund may also invest directly in transferable securities (equity securities and fixed income securities), money market instruments, deposits, and cash and near cash.

The Fund may hold derivatives for efficient portfolio management purposes.

The Fund's risk profile is managed by restricting the types of assets held and the allocations of each asset type. The asset and allocation restrictions are set with reference to research carried out by an external agency and are based on the long term historic return and volatility of each asset type. This external agency has determined risk bands ranging between 1 to 10, with 10 being the highest. This Fund aims to stay within band 3.

## Risk Profile

### Credit risk

This Fund invests in Collective Investment Schemes which hold financial securities such as bonds. With these investments, there is a risk of suffering loss due to a party not meeting its financial obligations. This risk is managed by monitoring the financial stability of investments and companies, via credit ratings.

### 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.

### Interest rate risk

This Fund is invested in interest distributing funds. The performance of the Fund may therefore be affected by changes in interest rates, through its holdings in these funds.

### Currency risk

This Fund is invested in Collective Investment Schemes which may invest in overseas financial securities. The performance of the Fund may therefore be affected by changes in exchange rates. This risk is managed by the use of foreign currency futures, which aim to manage the effect of changing exchange rates.

## Fund Facts

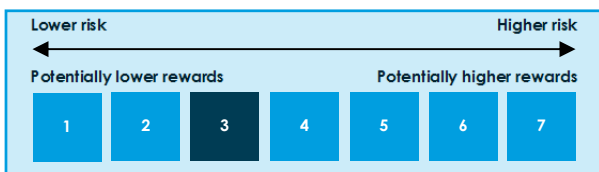
Period End Dates for Distributions:	15 Aug, 15 Feb *	
Distribution Dates:	15 Oct, 15 Apr *	
Ongoing Charges Figures:	15 Feb 17	15 Aug 16
F-Class	0.51%	0.50%
I-Class	0.32%	0.31%
L-Class	0.07%	0.06%
C-Class	0.25%	0.24%

\* See Significant Changes section on page 11.

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 three because it invests, through other funds, in investment grade bonds, with some exposure to other asset types. Investment grade bonds generally provide lower rewards and lower risks whereas company shares generally provide higher rewards and higher risks. The level of risk in the fund is managed by restricting the types and proportions of the assets it holds.
- 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.

The Fund targets risk profile 3 as calculated by Distribution Technology. They are an external agency who provide risk profiling tools to advisers and fund managers.

The Risk and Reward profile scale above is calculated differently to the Distribution Technology Risk Profiles. The Distribution Technology profiles range from 1 to 10 with 10 being the highest (rather than a scale of 1 to 7 for the Risk and Reward profile).

More information on the Distribution Technology risk profiles is shown in the Prospectus. Alternatively you can contact us with any queries.

## Distribution Information

### F-Class

The distribution payable on 15 April 2017 is 0.3841p per unit for distribution units and 0.4006p net per unit for accumulation units.

### I-Class

The distribution payable on 15 April 2017 is 0.4426p per unit for distribution units and 0.4618p net per unit for accumulation units.

### L-Class

The distribution payable on 15 April 2017 is 0.5162p per unit for distribution units.

### C-Class

The distribution payable on 15 April 2017 is 0.4589p per unit for distribution units and 0.4810p 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)
F-Class			
Distribution Units	37,090	62,655	59.20
Accumulation Units	622,050	1,002,418	62.05
I-Class			
Distribution Units	9,558,158	16,149,976	59.18
Accumulation Units	148,571,711	238,247,052	62.36
L-Class			
Distribution Units	619	1,044	59.29
C-Class			
Distribution Units	4,359,099	7,364,953	59.19
Accumulation Units	28,486,722	45,590,606	62.48

**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.**

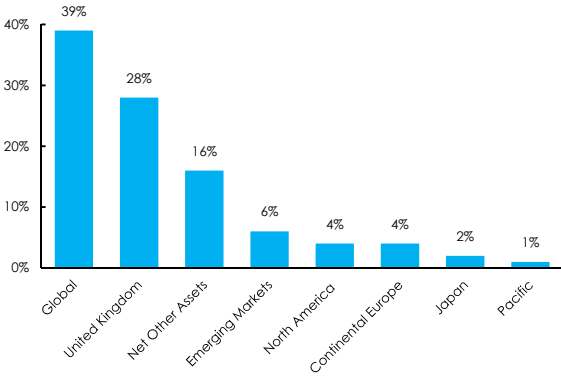
**Exchange rate changes may cause the value of any overseas investments to rise or fall.**

## Portfolio Information

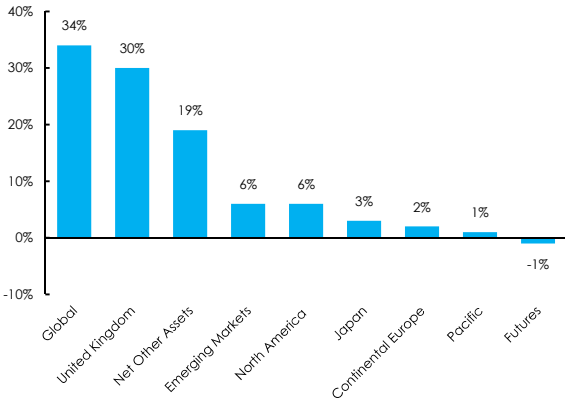
The top 10 holdings and their associated weighting at the current and preceding period ends were:

Top 10 Holdings at 15 February 2017		Top 10 Holdings at 15 August 2016	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
Legal & General All Stocks Gilt Index Trust I-Class	11.47%	Legal & General All Stocks Gilt Index Trust I-Class	12.51%
Legal & General Sterling Corporate Bond Index Fund L-Class	11.39 %	Legal & General Sterling Corporate Bond Index Fund L-Class	10.74%
Legal & General Global Inflation Linked Bond Index Fund L-Class	11.15 %	Legal & General Global Inflation Linked Bond Index Fund L-Class	9.91%
LGIM Global Corporate Bond Fund B-Class	6.75%	Legal & General UK Index Trust L-Class	7.35%
Legal & General UK Property Fund L-Class	6.34%	LGIM Global Corporate Bond Fund B-Class	6.92%
Legal & General UK Index Trust L-Class	6.17%	Legal & General UK Property Fund L-Class	6.44%
Legal & General High Income Trust I Class	5.67%	Legal & General US Index Trust I-Class	5.79%
Legal & General Emerging Markets Government Bond (US\$) Index Fund L-Class	5.03%	Legal & General High Income Trust I-Class	5.48%
Legal & General US Index Trust I-Class	3.94%	Legal & General Emerging Markets Government Bond (US\$) Index Fund L-Class	5.14%
Legal & General All Stocks Index Linked Gilt Index Trust I-Class	3.16%	Legal & General All Stocks Index Linked Gilt Index Trust I-Class	4.08%

### Fund Holdings as at 15 February 2017



### Fund Holdings as at 15 August 2016





## **Manager's Investment Report**

During the period under review, the bid price of the Fund's F-Class Accumulation units rose by 0.58%.

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**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 Sterling 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 Index eclipsed its mid-2015 peak and through both December 2016 and January 2017 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 QE programme to support the UK economy. Subsequently, consumer price inflation rose to its highest level in over 2 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 US 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 surprised investors with more hawkish guidance on monetary policy, signalling a further three rate hikes in 2017.

## **Fund Review**

The Fund delivered a modest positive return over the review period, characterised by a calming of market concerns around Brexit while risk assets benefitted against a backdrop of a strengthening global economy, reduced deflationary pressure and

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

the likelihood of fiscal stimulus in the US economy. The Fund's relatively higher allocation to fixed income assets, specifically UK gilts and investment grade credit, held back returns.

Equity holdings in the US and UK led to positive contributions during the review period as US markets responded favourably to the likelihood of pro-business policies from Trump, and a weaker Sterling supported UK stocks with international earnings profiles.

In terms of allocation changes, we further reduced our exposure to emerging market equities in favour of developed market stocks. This is the position we took post-President Trump's election as we see his protectionist trade policies and anti-globalisation stance to be a headwind for emerging markets. Moreover, the risks of a downturn in China still persist as capital outflows and a build-up of debt continues. We also sold our position in energy stocks and introduced a small position in Eurozone government bonds as we expect continued easing from the European Central Bank.

### **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: 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)  
2 March 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.

## **EU Savings Directive**

The Fund has been reviewed against the requirements of the Directive 2003/48/EC on Taxation of savings in the form of interest payments (ESD), following the HM Revenue & Customs debt investment reporting guidance notes.

Under the Directive, information is collected about the payment of distributions to residents in certain other countries and is reported to HM Revenue & Customs to be exchanged with Tax authorities in those countries.

The Fund falls within the 25% debt investment reporting threshold. This means that details of all distributions and redemption proceeds paid to non UK investors will be reported by Legal & General (Unit Trust Managers) Limited to HM Revenue & Customs to be exchanged with the relevant Tax authorities.

## **Dual Pricing Arrangement**

The Manager's fixed dual pricing arrangement has a set spread to account for the costs of transacting in a particular Fund. Where the Manager operates a box through which unit subscriptions and unit redemptions are netted into a single trade instruction to the Trustee, the netting reduces the actual transaction costs and this generates a revenue to the Manager. With effect from 1 January 2016, the revenue generated from this activity is calculated on a monthly basis and returned to the Fund in the form of a payment from the manager. This provides an enhanced return to the Fund, through the size of any return will be dependent on the size of subscriptions and redemptions.

## **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.

## Minimum Investment Amounts

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

F-Class	£500
I-Class	£1,000,000
L-Class	£500,000
C-Class	£100,000,000
R-Class	£500

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

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.

L-Class is only available for investment to companies within the Legal & General Group.

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.

## **Significant Changes**

### **Change of Annual and Interim Accounting Dates**

With effect from 15 June 2016, the annual accounting date for the Legal & General Multi-Index Funds umbrella scheme changed from 15 June to 15 August. During 2016 only, there was an additional accounting date of 15 June 2016 for the bi-annual distributing Funds. As a result of the change, for bi-annual distributing Funds, a distribution was paid to Unitholders on 14 August 2016, and an additional distribution was paid on 15 October 2016.

The interim accounting date changed from 15 December 2016 to 15 February 2017. This means that the distribution payment date has changed from 15 February to 15 April, for bi-annual distributing Funds with effect from 2017.

The change of annual and interim accounting dates will not affect the distribution payment dates for monthly distributing Funds.

### **New Unit Class: R-Class**

With effect from 27 March 2017, R-Class units have launched within the Fund with accumulation and distribution units available.

**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**

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