

# L&G Absolute Return Bond Plus Fund

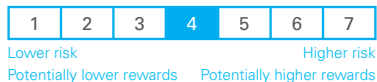


SICAV (UCITS compliant) Z-Class USD (Unhedged)

## FUND AIM

The Fund aims to generate positive returns in all market conditions. The Fund has a higher performance target than that of the L&G Absolute Return Bond Fund. The Fund aims to meet its performance objectives over a rolling three year period.

## RISK AND REWARD PROFILE



The synthetic risk and reward indicator (SRRI) is based on the historic volatility of the fund's value and it may change in the future.

The fund is in category 4 because it invests in company or government bonds which are sensitive to changes in interest rates, inflation and credit. This can be driven by political and economic changes and other significant events and may cause the value to fluctuate.

For more information, please refer to the Key Risks section on page 3.

## WHO IS THIS FUND FOR?

- This fund is designed for investors looking for income or growth from an investment in fixed income securities
- Although investors can take their money out at any time, this fund may not be appropriate for those who plan to withdraw their money within five years
- This fund is not designed for investors who cannot afford more than a minimal loss of their investment
- If you do not understand this document we recommend you seek additional information to help you decide if this fund is right for you

## FUND FACTS

Fund size <b>\$269.4m</b>	Base currency <b>USD</b>	Benchmark <b>ICE BofAML USD LIBOR 3 Mth Const Mat T</b>	
Launch date <b>29 Nov 2013</b>	Domicile <b>Luxembourg</b>	Modified duration <b>-0.52 years</b>	Gross redemption yield <b>8.35%</b>

## COSTS

Initial charge <b>0.00%</b>	Ongoing charge <b>0.05%</b>
Price basis <b>Single- full swing</b>	Dilution levy <b>0.57% - round trip</b>

## PERFORMANCE (%)



	1m	6m	1y	3y	Launch
■ Fund	0.98	2.22	3.97	3.01	2.28
■ Benchmark	0.14	0.63	1.16	0.70	0.57
Relative	+0.84	+1.59	+2.81	+2.31	+1.71

## ANNUAL PERFORMANCE (%)

12 months to 31 December	2017	2016	2015	2014	2013
Fund	3.38	2.85	1.48	0.80	-
Benchmark	1.11	0.66	0.23	0.23	-
Relative	+2.27	+2.19	+1.25	+0.57	-

All performance periods over a year will be annualised. Performance for the Z USD (Unhedged) Acc share class in USD, launched on 29 November 2013. Source: Lipper. Performance assumes all fund charges have been taken and that all income generated by the investments, after deduction of tax, remains in the fund. This fund has adopted a single swinging price, this means that on any given day the single dealing price will be set at either bid, offer or somewhere in between, based on whether there was a net inflow or outflow into or out of the Fund. The past performance depicted in this factsheet is based on that dealing price and therefore may appear more volatile than it would otherwise be if we were to show the notional bid or offer performance, this is as a result of the daily swing.

**Past performance is not a guide to future returns. The value of your investment and any income taken from it is not guaranteed and may go up and down.**

The eligibility for the Z share class is restricted and may require a separate fee agreement with LGIM. Please contact us to discuss share class eligibility. For detail on price basis methodologies please refer to the 'Guide to Investing With Us' found on our website. [↗](#)

## FUND SNAPSHOT

- Aims to generate positive returns in all market conditions
- Invests in a broad range of fixed income asset classes
- Seeks alpha via a range of additional investments including CDS, rates and global currencies



## PORTFOLIO BREAKDOWN

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

### CURRENCY (%)

USD	88.7	
GBP	7.3	
EUR	4.0	
AUD	0.1	
TRY	0.1	
HKD	-0.1	

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

### SECTOR (%)

Banks	18.0	
Sovereign	17.9	
ABS	11.3	
Industrials	7.0	
Utilities	6.5	
Consumer Goods	6.4	
Cash and Equivalents	6.3	
Telecommunications	2.6	
Technology	2.6	
Insurance	2.4	
Basic Materials	2.1	
Covered	0.6	
Equity Index	0.2	
Index	-2.8	
Other	19.0	

### CREDIT EXPOSURE (NET %)

#### Credit Long/Short

Investment Grade	0.2	
EM Debt	0.1	
High Yield	0.0	

Total Net Exposure 0.3

■ Long Exposure ■ Short Exposure  
◆ Net Exposure

Total net credit exposure is the impact on profit/loss to the portfolio calculated as the impact of a 5% move tighter in credit spreads based on a reference level of 100% Itraxx Eur Main (with 4yr CS01 Duration Equivalent).

### CREDIT RATING (%)

AAA	9.0	
AA	9.3	
A	21.0	
BBB	22.6	
BB	12.2	
B	15.9	
CCC	1.9	
NR	1.7	
Cash	6.4	

### COUNTRY EXPOSURE (NET %)

#### Country Long/Short

United States	0.1	
United Kingdom	0.1	
Argentina	0.1	
France	0.0	
Mexico	0.0	
Austria	0.0	
Europe	0.0	
Brazil	0.0	
China	0.0	
Other	-0.1	

Total Net Exposure 0.2

■ Long Exposure ■ Short Exposure  
◆ Net Exposure

Net country exposure is the impact on profit/loss to the portfolio calculated as the impact of a 5% move tighter in credit spreads based on a reference level of 100% Itraxx Eur Main (with 4yr CS01 Duration Equivalent).

### TOP 10 ISSUERS (%)

United States Of America	7.5
PHILIP MORRIS INTERNATION	3.2
DEERE & CO	3.2
ABN AMRO BANK NV	2.6
AT&T Inc	2.4
Barclays Bank	2.3
Dell Computer Corporation	2.2
Lloyds Banking Group	2.2
MORGAN STANLEY	1.6
GOLDEN CREDIT CARD TRUST	1.6



■ Top 10 issuers 28.6%  
■ Rest of portfolio 71.4%  
No. of issuers 154

## FUND MANAGER COMMENTARY

The clear trend during January was higher government bond yields, but continued strength in risky asset classes. In credit markets, spread tightening partially offset the rise in underlying yields, although total returns for many bond asset classes were still negative over the month. Within investment grade credit, sterling-denominated bonds outperformed, although there was also some notable tightening in spreads in the US dollar market.

The fund delivered positive returns in January with investment grade bonds contributing to performance. However, our short CDS position in iTraxx senior financials detracted slightly. In rates markets, we continue to hold our short bund position. In addition, our put options on US treasuries worked well and we took profit on the trade. In currency markets, we added long positions in the Japanese yen versus the Korean won and moved to a neutral stance on the US dollar. Elsewhere, given the initial weakness in European equities, we added hedges in this market. We continue to run a long credit portfolio with low cost hedges, with a preference for investment grade credit over high yield and commodity names.

The recent increase in government bond yields demonstrates that liquidity conditions are gradually tightening. The US dollar is very important in this equation, with any sustained strengthening likely to weigh heavily on risky asset classes in our view. Given stretched valuations for credit spreads and 2017's strong performance across equity markets, vulnerabilities are building. We therefore remain cautious.



### JULIEN HOUDAIN

Julien is a portfolio manager in the Multi-Strategy Fixed Income team where he is responsible for global credit and absolute return mandates. He joined LGIM in September 2007 from Fortis Investments, where he was a quantitative strategist in the structured finance team and developed market standard and proprietary models for the pricing and risk management of credit derivatives as well as trading and hedging strategies. Julien has a PhD in financial modelling from the Ecole Normale Supérieure, Paris, France.

## 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 depository.
- 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 impact to the fund can be greater where derivatives are used in an extensive or complex way.
- The fund may have underlying investments that are valued in currencies that are different from sterling (British pounds). 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

 Luxembourg  Switzerland  United Kingdom



### 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 £983.3 billion (as at 31 December 2017). We work with a wide range of global clients, including pension schemes, sovereign wealth funds, fund distributors and retail investors.

Assets under management includes 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

<b>ISIN</b>	Z USD Acc	LU0989305403
	Z USD Dist	LU0989305585
<b>Bloomberg</b>	Z USD Acc	LGLHAZA LX
	Z USD Dist	LGLHAZI LX

## TO FIND OUT MORE

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Luxembourg Management Company S.A.  
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Senningerberg Grand-Duché de Luxembourg

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

## Important information

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**Internal Fund Code: 5401**