

Legal & General  
Mixed Investment 20-60% Fund  
**Interim Manager's  
Short Report  
for the period ended  
31 January 2018**

**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.

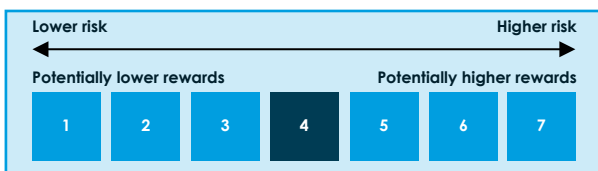
## Fund Facts

Period End Dates for Distributions:	31 Jan, 31 Jul	
Distribution Dates:	31 Mar, 30 Sep	
Ongoing Charges Figures:	31 Jan 18	31 Jul 17
F-Class	0.57%	0.57%
I-Class	0.48%	0.48%
C-Class	0.33%	0.33%
D-Class	0.97%	0.97%

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 number highlighted above reflects the rate at which the Fund's unit price has moved up and down in the past. If the Fund has less than five years' track record, the number also reflects the rate at which a representative mix of the underlying funds has moved up and down in the past. Higher numbers mean the potential reward could be greater, but this comes with increased risk of losing money.
- This Fund is in category four because the mix of different asset types in which the Fund invests has a balancing effect on the rate at which the Fund share price moves up and down. This type of fund is generally considered to be higher risk than one investing only in bonds and lower risk than one investing only in company shares.
- 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

### F-Class

The distribution payable on 31 March 2018 is 0.6043p per unit for distribution units and 0.6161p per unit for accumulation units.

### I-Class

The distribution payable on 31 March 2018 is 0.6411p per unit for distribution units and 0.6776p per unit for accumulation units.

### C-Class

The distribution payable on 31 March 2018 is 0.7262p per unit for accumulation units.

### D-Class

The distribution payable on 31 March 2018 is 0.5008p per unit for distribution units and 0.5216p 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	947	1,673	56.60
Accumulation Units	133,453	228,649	58.37
I-Class			
Distribution Units	1,129,193	1,957,843	57.68
Accumulation Units	114,758,718	186,186,628	61.64
C-Class			
Accumulation Units	547,498,765	883,949,413	61.94
D-Class			
Distribution Units	502,258	870,573	57.69
Accumulation Units	6,800,410	11,217,416	60.62

**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.**

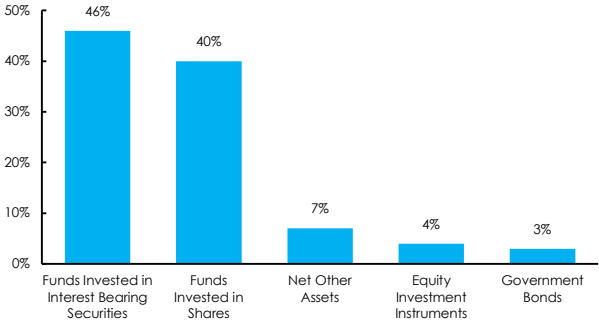
**Exchange rate changes may cause the value of any overseas investments to rise or fall.**

## Portfolio Information

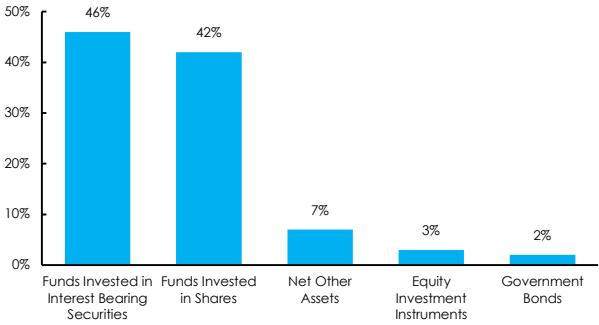
The top 10 holdings and their associated weighting at the current period end and preceding year end were:

Top 10 Holdings at 31 January 2018		Top 10 Holdings at 31 July 2017	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
Legal & General Sterling Corporate Bond Index Fund 'L' Inc	12.30%	LGIM Global Corporate Bond Fund 'B' Acc	13.44%
LGIM Global Corporate Bond Fund 'B' Acc	11.83%	Legal & General Sterling Corporate Bond Index Fund 'L' Inc	12.01%
Legal & General (N) Tracker Trust 'I' Inc	8.43%	Legal & General (N) Tracker Trust 'I' Inc	8.68%
Legal & General US Index Trust 'I' Inc	7.39%	Legal & General US Index Trust 'I' Inc	7.84%
Legal & General Emerging Markets Government Bond (US\$) Index Fund 'L' Inc	6.60%	Legal & General European Index Trust 'I' Inc	6.64%
Legal & General European Index Trust 'I' Inc	6.10%	Legal & General Emerging Markets Government Bond (US\$) Index Fund 'L' Inc	6.32%
Legal & General Emerging Markets Government Bond (Local Currency) Index Fund 'L' Inc	5.61%	Legal & General High Income Trust 'I' Inc	5.60%
Legal & General High Income Trust 'I' Inc	5.60%	Legal & General Emerging Markets Government Bond (Local Currency) Index Fund 'L' Inc	4.76%
Legal & General Global Real Estate Dividend Index Fund 'L' Inc	4.09%	Legal & General Global Real Estate Dividend Index Fund 'L' Inc	4.48%
Legal & General Global Inflation Linked Bond Index Fund 'L' Inc	4.06%	Legal & General Global Inflation Linked Bond Index Fund 'L' Inc	3.80%

### Fund Holdings as at 31 January 2018



### Fund Holdings as at 31 July 2017



## **Manager's Investment Report**

During the period under review, the price of the Fund's I-Class accumulation units rose by 1.30%. The Fund under-performed its benchmark as funds within the Investment Association Mixed Investment 20-60% sector delivered an average return of 2.21% (Source: Lipper Hindsight).

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

**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**

Globally, equity markets made further gains during the review period, reflecting a steady improvement in global economic indicators and earnings growth that has exceeded expectations. Investors have favoured technology stocks in anticipation of an upturn in the semiconductor industry, while earnings announcements from the major technology companies, particularly in the US, have also been encouraging. Mining stocks have performed well as commodity markets rallied, while energy stocks also outperformed as the oil price climbed to a three-year high above \$70 per barrel in January. In contrast, utilities, real estate and telecoms, sectors more sensitive to bond markets, underperformed. US equities ended the review period at an all-time high, boosted by congressional approval for the Trump administration's tax reforms which included a substantial cut in corporation tax. The UK equity market ended 2017 on a positive note, as progress in Brexit negotiations with the European Union underpinned investor confidence, before faltering in January underperforming international markets over the review period. Japan was the leading major market in Sterling terms. Investors reacted favourably to a resounding victory for incumbent Prime Minister Shinzo Abe in the general election, which was viewed as heralding further economic reforms. Asian equity markets advanced as the strong global backdrop has boosted the region's export-driven economies. In Europe, although corporate results have highlighted improving earnings momentum and indicators suggest regional economic activity is accelerating; markets trailed the rest of the world as political concerns resurfaced. Talks to form a coalition government in Germany have protracted, while in Spain regional elections in Catalonia failed to resolve the independence issue. More broadly, emerging markets have outperformed developed markets supported by the improving global economic backdrop and underlying corporate earnings growth.

The major international bond markets have struggled to make headway as central banks began to embark on withdrawing the extraordinary monetary support that has been in place since the global financial crisis. With global economic growth accelerating, expectations of rising inflation have also weakened bond markets.



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

The US Federal Reserve (Fed) sanctioned a gradual tightening of monetary policy, raising interest rates to 1.5% in December, while signalling three further rate hikes in 2018. The Fed also began unwinding its asset purchase programme, known as quantitative easing (QE), in October. Although the European Central Bank (ECB) announced it would taper its QE programme from January, the ECB commented it stood ready to extend quantitative easing beyond next September if necessary. The Bank of Japan's (BOJ) negative interest rate policy, and its announcement that it will intervene if necessary to keep the yield on benchmark 10-year bonds at around 0%, underpinned Japanese government bonds. Index-linked gilts outperformed conventional securities over the review period, as the consumer price index accelerated to its highest level for over five years, with the depreciation in Sterling following the EU referendum reflected in higher import prices. The Bank of England increased interest rates to 0.5% in November, removing the emergency support announced in August 2016 in the wake of the EU referendum. The Sterling-denominated corporate bond market saw an upsurge in issuance during 2017 although returns have been modest. Emerging bond markets outperformed the major sovereign bond markets by a substantial margin. International investors have sought higher returns with new sovereign bond issues in countries as diverse as Egypt, Russia and Argentina.

### **Fund Review**

The Fund delivered a positive return for most of the review period, mainly driven by European and UK equities. Most developed equity markets gained in local terms during 2017, reflecting positive sentiment towards growth and contained volatility. The UK was the source of the strongest contributions towards the end of the year, not just in equities but also across credit and high yield bonds.

January 2018 delivered modest negative returns, mainly driven by weakness from interest rate sensitive equities and currency effects. Although many overseas equity markets delivered strong positive gains, when translated back to pound Sterling the gains were effectively cancelled out.

Over the period, our REIT holdings proved a minor drag on relative performance along with our overseas currency exposure. Emerging market debt denominated in both hard and local currency was also a minor drag on performance.

We increased our allocation to European equities, while trimming our allocation to REITs, emerging market and US equities to lower risk towards the end of 2017. However, we reversed the tactical underweight to US equities in early 2018, as well as increasing our US Treasury exposure following the sharp rise in yields towards what we considered a fairer price.

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

### **Outlook**

The pace of equity market gains has come as a bit of a surprise in January, continuing a long positive streak for equities, thanks to a synchronised economic recovery but only subdued inflation. While this is consistent with mid-economic cycle dynamics, rising inflation would start to push us towards late cycle. While our economists do not see a recession as imminent, we remain vigilant as we inch closer. The economic scenario playing out is one of lower unemployment, President Trump's tax plan and protectionism stoking inflationary pressures, while global growth remains strong. The recent US Employment Report supported the case that inflation could be heading higher.

While there is little visibility on what would be the next catalyst for a large asset price correction, we remain prudent in our investment strategy. If markets and economic data progress as we expect, we would gradually reduce the equity exposure as we go deeper into 2018; but if inflation stays subdued and other risks do not build, we will be more inclined to stay closer to neutral positioning. In addition, we also hold some specific hedges in the portfolio: namely a larger allocation to the US Dollar as well as US inflation linked bonds amongst our diversified fixed income assets.

Legal & General Investment Management Limited

(Investment Adviser)

23 February 2018

## 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:

F-Class	£20
I-Class	£1,000,000
C-Class	£100,000,000
D-Class	£500

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.

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.

## 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.

**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  
(Unit Trust Managers) Limited  
Registered in England and Wales No. 01009418  
Registered office:  
One Coleman Street,  
London EC2R 5AA  
[www.legalandgeneral.com](http://www.legalandgeneral.com)  
MTW0318

