

Active Corporate Bond- All Stocks- Fund

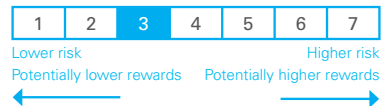


Unit-Linked Life Insurance Reported in GBP (Gross of charges)

FUND AIM

The fund aims to exceed the Markit iBoxx £ Non-Gilts Index by 0.75% p.a. (before fees) over a three year rolling period.

RISK AND REWARD PROFILE



The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay you.

The risk indicator assumes you keep the product for 5 years. The actual risk can vary significantly if you cash in at an early stage and you may get back less.

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

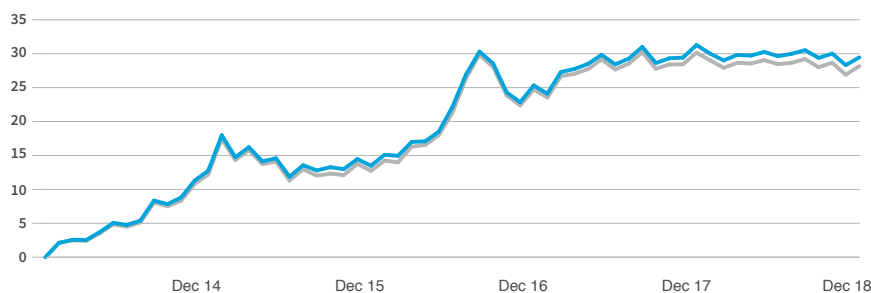
WHO IS THIS FUND FOR?

- The trustees of UK registered and certain non-UK registered defined benefit or defined contribution occupational pension schemes, which may be classified as either retail clients or professional clients.
- Although investors can take their money out at any time, the recommended minimum holding period is 5 years.
- Please refer to your professional advisor who should be able to advise you on the suitability of this fund for your scheme.

FUND FACTS

Fund size £3,801.5m	Base currency GBP	Benchmark Markit iBoxx £ Non-Gilts Index	
Launch date Jul 2002	Domicile United Kingdom	Gross redemption yield 2.91% (unhedged)	Modified duration 7.39 years

PERFORMANCE (%)



	YTD	3m	6m	1y	3y	5y
■ Fund	-1.40	0.06	-0.13	-1.40	4.48	5.30
■ Benchmark	-1.51	0.14	-0.22	-1.51	4.37	5.09
Relative	+0.11	-0.08	+0.09	+0.11	+0.11	+0.21

CALENDAR YEAR PERFORMANCE (%)

	2018	2017	2016	2015	2014
Fund	-1.40	4.76	10.44	0.67	12.76
Benchmark	-1.51	4.32	10.65	0.49	12.20
Relative	+0.11	+0.44	-0.21	+0.18	+0.56

All performance periods over a year will be annualised. Source: LGIM. Performance based on weekly mid-market prices before the deduction of fees. **Past performance is not a guide to future performance and the value of investments can go down as well as up.**

FUND CHARACTERISTICS

While the fund actively manages interest rate risk, it seeks to outperform the benchmark principally through active management of credit risk. The fund has a duration of up to +/-1 year relative to its benchmark and a tracking error range of up to 1.5% p.a. The fund primarily invests in corporate fixed interest securities denominated in sterling with credit ratings of BBB- (or equivalent) and above. The fund can also hold an exposure to UK government bonds and cash. In order to access greater investment opportunities, the fund is permitted to allocate a maximum of 20% of the portfolio to EUR and USD credit hedged back to sterling. The fund has the ability to use derivatives for more efficient portfolio management (Available from 1 December 2008).

PORTFOLIO BREAKDOWN

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



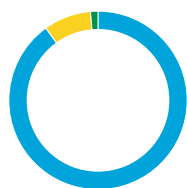
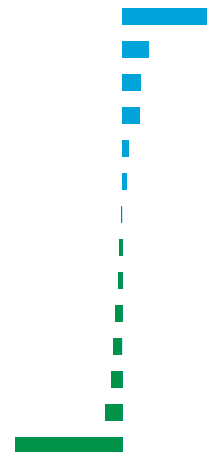
■ Top 10 issuers 27.4%
■ Rest of portfolio 72.6%
No. of issuers 305

TOP 10 ISSUERS (%)

United Kingdom	9.5
Lloyds Banking Group plc	3.0
HSBC Holdings plc	2.5
Aviva plc	2.1
Thames Water Ltd	2.0
PPL Corp	1.8
Wells Fargo & Company	1.7
European Investment Bank	1.7
General Electric Co	1.6
AT&T Inc	1.6

TOP SECTOR OVER/UNDERWEIGHTS (%)

	Fund	Benchmark	Relative
Cash and Equivalents	7.2	-	7.2
Financial Services	4.2	2.2	2.1
Banks	15.7	14.2	1.5
Insurance	7.5	6.2	1.4
Covered	4.3	3.8	0.5
Consumer Goods	5.3	5.0	0.3
Technology	0.5	0.5	-0.1
Real Estate	2.6	2.9	-0.3
Telecommunications	4.7	5.0	-0.3
Industrials	3.6	4.2	-0.6
Utilities	13.4	14.1	-0.7
Basic Materials	0.1	0.9	-0.9
ABS	8.7	10.0	-1.3
Sovereign	15.2	23.6	-8.4



CURRENCY (%)

■ GBP	90.4
■ USD	8.6
■ EUR	1.4

CREDIT RATING (%)

	Fund	Benchmark	Relative
AAA	6.6	19.8	-13.2
AA	15.5	12.5	3.0
A	19.8	24.8	-5.1
BBB	46.6	41.2	5.5
BB	4.2	1.7	2.5
NR	0.2	-	0.2
Cash	7.2	-	7.2



FUND MANAGER COMMENTARY

Sterling credit spreads (the additional yield available on corporate bonds compared to government bonds) widened over the quarter amid rising investor concerns over geopolitical risks and tighter global monetary policy. Financials were weakest, although non-financials, sub-sovereign bonds and collateralised bonds all delivered negative returns. However, total returns from credit markets were supported by lower underlying government bond yields.

The fund underperformed the benchmark over the fourth quarter, but outperformed over 2018 as a whole. Our underweight credit risk stance was positive for performance over the quarter as credit spreads widened across the board. Our underweights in sub-sovereign bonds and the industrial goods and services sector were also positive for performance. On the negative side, however, overweights in telecoms and the personal and household goods sector detracted from relative performance.

Looking ahead, valuations have corrected significantly in a short period, and it is therefore possible for markets to recover somewhat, should macro conditions stabilise, particularly as the Fed has offered some support. We now view the prospect of a March hike in US interest rates as unlikely. We are likely to reduce our underweight positioning in early January, particularly if attractive US dollar, euro and sterling new issues present themselves. Looking further ahead, however, as long as underlying monetary tightening remains in place, we expect risky assets to remain under pressure. In turn, this imparts negative pressure on global economic growth and we remain cautious on the outlook for the year.



IAN HUTCHINSON

Ian leads our UK Active Credit team and lead manages our flagship all-stock and over 10 year strategies. He joined LGIM in 2004 as a product specialist on the fixed income desk, and in 2006 became a trainee fund manager role working on UK investment grade credit portfolios. He started his career in 1998 at Standard & Poor's MMS as a Eurobond analyst. Ian is IMC qualified and a CFA charterholder. He holds a degree in international relations from the University of Sussex.

KEY RISKS

- The value of an investment and any income taken from it is not guaranteed and can go down as well as up. You may get back less than the amount you originally invested.
- The return from your investment is not guaranteed and therefore you may receive a lower or higher return than you anticipated. There will be a variation in performance between funds with similar objectives due to the different assets selected.
- PMC's charges and associated transaction costs are subject to change, with notice for the former and without notice for the latter. Charges and transactions costs deducted from the policy reduce your potential for capital growth in the future.
- Tax rules and the treatment of income and capital gains could change in the future and may be applied retrospectively.
- Inflation reduces the purchasing power of money over time as the cost of purchasing goods and services increases. If the rate of inflation exceeds the rate of return on your portfolio, it will erode the value of your portfolio and its investments in real terms.
- In extreme market conditions it may be difficult to realise assets held for a fund and it may not be possible to redeem units at short notice. We may have to delay acting on your instructions to sell or the price at which you cancel the units may be lower than you anticipated.
- The value of a fund's assets may be affected by uncertainties such as international political developments, market sentiment, economic conditions, changes in government policies, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations of countries in which investment may be made.
- PMC seeks to mitigate counterparty risk wherever possible on behalf of its policyholders through a variety of measures which include: each fund's non-cash assets being held with independent custodians, sweeping cash (where appropriate) overnight into the LGIM's range of Liquidity funds (above a deminimus level), using the delivery versus payment system when settling transactions and the use of central clearing for exchange traded derivatives and forward foreign exchange transactions. However, in the event of the failure of a counterparty, custodian or issuer there is a residual risk that a fund may suffer asset losses which are unrecoverable.

For more information, please refer to the Description of Funds [↗](#)



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

Units can be purchased, sold or switched on a designated dealing day. Funds are offered on a weekly or daily basis as below:

Weekly close	Yes
Daily close	Yes
Daily midday	Yes

Further information is available in the relevant operational procedures sheet and the Description of Funds [↗](#)

TO FIND OUT MORE

 Visit www.lgim.com

 Call **+44 (0) 20 3124 3277**

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Internal Fund Code: DC