

Legal & General Cash Trust  
**Interim Manager's  
Short Report**  
for the period ended  
**5 August 2018**

**EVERY  
DAY  
MATTERS.®**





## **Investment Objective and Policy**

The investment objective of the Trust is to maintain capital and to provide a return in line with money market rates, before charges.

The Trust will generally invest in short term deposits, certificates of deposit, government bonds issued in pounds Sterling and Repos. The maximum maturity of these instruments is 397 days but the Trust must maintain a weighted average maturity of less than 60 days.

The bonds that the Trust invests in must be investment grade (rated as lower risk).

The Trust may also invest in other fixed income securities, other money market instruments and collective investments schemes. The Trust may use derivatives for efficient portfolio management purposes only. Where the Manager considers it appropriate, for example, in times of market stress, the Trust may be significantly invested in government and public securities.

## **Risk Profile**

### **Credit Risk**

This Trust holds deposits with financial institutions. 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 these financial institutions, via credit ratings.

### **Market Risk**

Market risk arises mainly from uncertainty about future prices. It represents the potential loss the Trust may suffer through holding market positions in the face of markets 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 Trust holds cash deposits. The performance of the Trust may therefore be affected by changes in interest rates. The active monitoring and adjustment of the investments in the portfolio manages this risk.

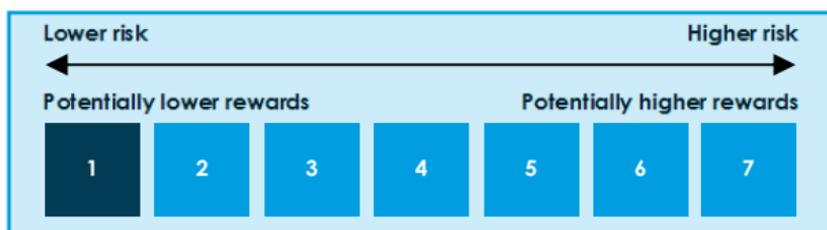
## Trust Facts

Period End Dates for Distributions:	5 Feb, 5 May, 5 Aug and 5 Nov	
Distribution Dates:	5 Jan, 5 Apr, 5 Jul and 5 Oct	
Ongoing Charges Figures:	5 Aug 18	5 Feb 18
R-Class	0.25%	0.25%
I-Class	0.15%	0.15%
L-Class	—	—

The Ongoing Charges Figure (OCF) is the ratio of the Trust's total discloseable costs (excluding overdraft interest) to the average net assets of the Trust.

The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a trust 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 Trust's risk and reward category in the future.
- The category number highlighted above reflects the rate at which the Trust's unit price has moved up and down in the past. If the Trust has less than five years' track record, the number also reflects the rate at which a representative benchmark 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.
- The Trust is in category one as it invests in instruments which are very liquid, have short maturities which have a high credit rating and are considered lower risk than longer maturing securities.
- The Trust's category is not guaranteed to remain the same and may change over time.
- Even a trust in the lowest category is not a risk free investment.

## Distribution Information

### R-Class

The distribution payable on 5 October 2018 is 0.0837p per unit for accumulation units.

### I-Class

The distribution payable on 5 October 2018 is 0.1119p per unit for accumulation units.

### L-Class

The distribution payable on 5 October 2018 is 0.0775p 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)
R-Class Accumulation Units	8,365,303	8,902,278	93.97
I-Class Accumulation Units	436,462,384	448,291,753	97.36
L-Class Accumulation Units	1,232,418,647	2,442,774,985	50.45

**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.**

## Portfolio Information

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

Top 10 Holdings at 5 August 2018		Top 10 Holdings at 5 February 2018	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
Societe Generale 0.7% 08/06/2018	5.37%	Rabobank International 0.45% 06/02/2018	4.97%
Bank of Tokyo-Mitsubishi 0.67% 08/06/2018	4.77%	DZ 0.44% 06/02/2018	3.55%
National Bank of Abu Dhabi 0.68% 08/06/2018	4.77%	Landesbank Hessen Thueringen 0.43% 06/02/2018	3.55%
Rabobank International 0.7% 08/06/2018	4.77%	National Bank of Abu Dhabi 0.43% 06/02/2018	3.55%
ING Bank 0.65% 08/06/2018	4.18%	Societe Generale 0.45% 06/02/2018	3.55%
DZ 0.69% 08/06/2018	3.29%	The Bank of Tokyo-Mitsubishi 0.42% 06/02/2018	3.55%
Bank of China 0.65% 08/06/2018	2.65%	DZ 0.00% 13/02/2018	3.19%
Sumitomo Mitsui Banking Corporation 0.68% 08/06/2018	2.10%	Sumitomo Mitsui Banking Corporation 0.00% 12/03/2018	2.84%
Credit Agricole 0.68% 16/08/2018	1.19%	Sumitomo Mitsui Banking Corporation 0.43% 06/02/2018	2.37%
National Bank of Abu Dhabi 0.86% 05/11/2018	1.19%	BRED Banque Populaire 0.6% 12/02/2018	2.13%

## **Manager's Investment Report**

During the period under review, the bid price of the Trust's R-Class accumulation units rose by 0.16%.

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## **Market/Economic Review**

Sterling money market rates rose overall during the six month period.

Early in the period the Bank of England cautioned that it was likely to raise interest rates earlier and faster than previously expected, reflecting the impact of a stronger global economy on UK inflationary pressures. Subsequently, two members of the Bank of England's monetary policy committee (MPC) voted for an immediate rise in interest rates to 0.75% at the MPC's March meeting. UK economic indicators struck a slightly more positive note as the first quarter ended. Consumer price inflation fell from 3.0% in January to a 7-month low of 2.7% in February. Meanwhile, despite a small rise in the claimant count, the jobless rate unexpectedly eased from 4.4% to 4.3%, while average earnings (including bonuses) rose ahead of forecasts, from 2.7% to 2.8%.

However, money market rates did decline in May as official figures highlighted a sharp slowdown in the UK economy during the first quarter. The preliminary official estimate highlighted economic output expanded by 0.1% quarter-on-quarter during the first three months of 2018; the lowest rate of growth since 2012 with a slowdown in household spending, business investment and exports. In its latest forecast, the Bank of England expects the UK economy to grow at an annualised rate of 1.4% by the second quarter of 2018, rather than by 1.8% estimated in February, while inflation is forecast to fall back slightly more quickly, reaching its 2% target in two years.

Subsequently, Sterling money market rates rose again during June, after three members of the Bank of England's Monetary Policy Committee voted to raise interest rates to 0.75% at the June monthly meeting - including the Bank's Chief Economist. This compared positively to May, when only two of the nine MPC members voted for a rate hike. This was partially a consequence of UK GDP being revised upwards for the first quarter, reflecting an improvement in construction output, while the UK's fiscal position is stronger than expected, with government borrowing having fallen. Accordingly, investors began to factor in the possibility that the Bank of England may opt to raise interest rates by 0.25% in August.

Sterling money market rates rose during July, as investors priced in the strong likelihood of a 0.25% interest rate hike at the Bank of England's forthcoming MPC meeting in early August. UK retail sales recovered from a sluggish first quarter to record robust growth during the three months to June, as the warm weather

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

boosted food and drink sales, suggesting a revival in consumer demand is now underway. Activity in the pivotal services sector expanded at its fastest pace for eight months during June, providing further evidence that the UK economy is recovering from its weather-related first quarter lull. The labour market remains tight, although earnings growth eased during the three months to May. The UK unemployment rate remains at its lowest level since 1975.

### **Trust Review**

The Trust remains invested in a diverse range of high quality and liquid issues, incorporating the potential re-pricing of the money market curve to ensure liquidity of holdings.

### **Outlook**

In the UK, GDP forecasts were unrevised at 1.3% in 2018 and 1.5% in 2019. Headline inflation should stay below 3% unless oil prices rise further. We expect the UK to negotiate a European Economic Area-type long transition period, with the likelihood of a 'no deal' risk scenario sitting at less than 10%. Post-transition, a Chequers-style deal seems most likely, and we expect immigration from the EU to slow further. Following the 0.25% hike in August, the Bank of England is likely to stay on hold until next year (May is our base case). Despite above-target inflation, the Bank of England will be wary to hike again in the midst of a congested Brexit timetable. The UK is in a better fiscal position, which opens up space for further easing. This is most likely to be deployed ahead of the next election, and could include NHS spending.

Legal & General Investment Management Limited

(Investment Adviser)

30 August 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.

## **EU Savings Directive**

The Trust 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 Trust 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.

## **Minimum Investment Amounts**

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

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

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

L-Class is not available to retail customers and is intended only for investment by Legal & General group of companies.

## **Other Information**

The information in this report is designed to enable unitholders to understand how the Trust 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 Trust can be obtained by telephoning 0370 050 0955 or by writing to the Manager.

## **Significant Changes**

### **Change of Auditor**

With effect from 28 April 2018, PricewaterhouseCoopers LLP ceased to be Independent Auditors of the Trust and KPMG LLP have been appointed. The change of Auditor has no impact on the way the Trust is operated.

### **General Data Protection Regulation (GDPR)**

Legal & General takes your privacy very seriously. Under data protection legislation, we have classified ourselves as a 'data controller'. This means that we are subject to certain obligations relating to how we process personal data. These obligations include, without limitation, providing individuals with certain information regarding how we process their personal data.

We will use the personal data you have provided to us in connection with an investment in units of Legal & General Cash Trust, including your name, age, contact details, bank account details, transactions and the invested amount, and any information regarding the dealing in units in accordance with all applicable data protection laws and our Privacy Policy which is available from 25 May 2018 at [www.lgim.com/UTMprivacy](http://www.lgim.com/UTMprivacy) (or available upon request). Our Privacy Policy sets out, amongst other things, the purpose or purposes for which your personal data is collected and intended to be processed and also contains any other information prescribed by data protection legislation.

**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**

KPMG LLP

15 Canada Square,

London E14 5GL

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Financial Conduct Authority**

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