

Diversified (Net WHT) Fund

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



FUND AIM

The investment objective of the fund is to provide long-term investment growth through exposure to a diversified range of asset classes.

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.

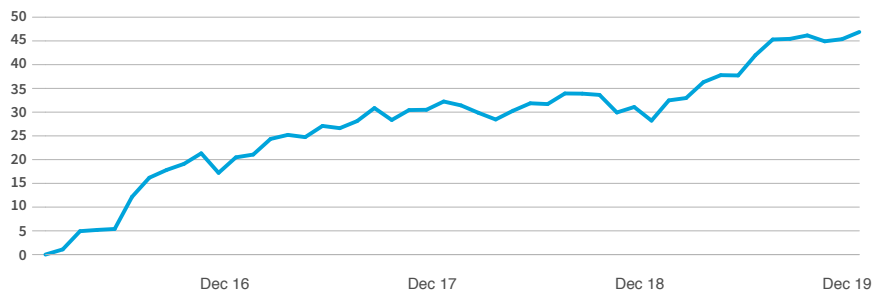
WHO IS THIS FUND FOR?

- The trustees of 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 £8.3m | Base currency GBP | Comparator FTSE Developed World Index - 50% GBP Hedged |
| Launch date Jan 2016 | Domicile United Kingdom | |

PERFORMANCE (%)



| | YTD | 3m | 6m | 1y | 3y | Launch |
|--------------|-------|-------|-------|-------|-------|--------|
| ■ Fund | 14.56 | 0.50 | 3.44 | 14.56 | 6.82 | 10.73 |
| ■ Comparator | 24.23 | 4.22 | 6.97 | 24.23 | 10.61 | 14.57 |
| Relative | -9.67 | -3.72 | -3.53 | -9.67 | -3.79 | -3.84 |

CALENDAR YEAR PERFORMANCE (%)

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|------------|-------|-------|-------|------|------|
| Fund | 14.56 | -3.05 | 9.76 | - | - |
| Comparator | 24.23 | -5.84 | 15.70 | - | - |
| Relative | -9.67 | +2.79 | -5.94 | - | - |

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 the future.**

FUND CHARACTERISTICS

The fund will hold between 20% and 50% in bonds, the remaining 50% to 80% will be held in a range of assets which may include equities, property, commodities and listed infrastructure, private equity and global real estate companies. Exposure to each asset class will primarily be through investing in passively managed funds, although active management may be used for some asset classes where LGIM believes there is an advantage in doing so.

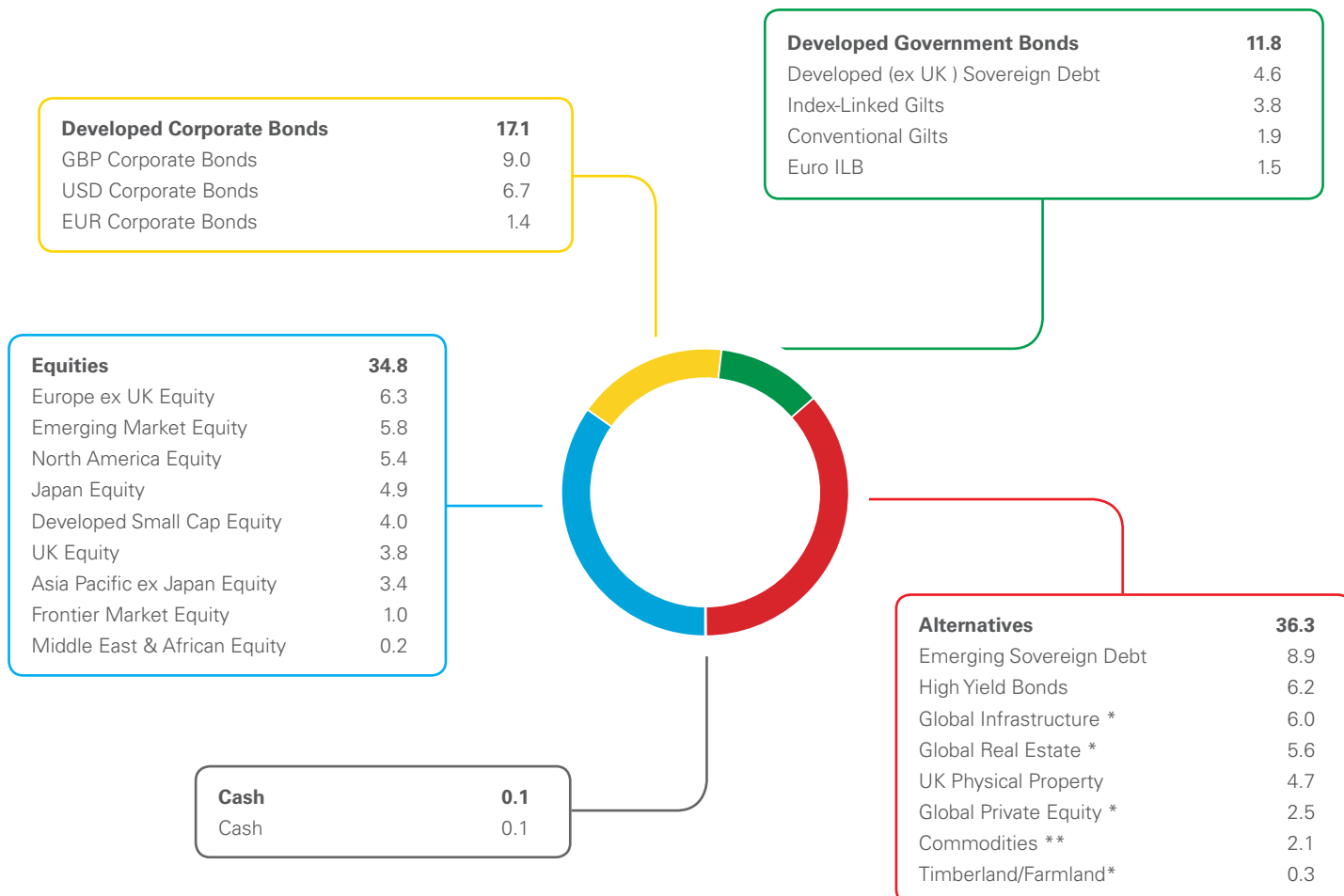
The assets of the fund may be held directly or indirectly via units of other PF Sections, including MAAG (Diversified (net WHT) Fund), deemed by PMC to be relevant to the objective of the fund. The asset allocation will be reviewed periodically (at least annually) and the fund will not take short term, tactical asset allocation positions. Derivatives may be used within the underlying funds for efficient portfolio management.

Comparator note

We show the Fund's performance against the comparator indicated because the long-term expected rate of return of the Fund is broadly similar to that of a developed market equity fund. The diversified nature of the Fund means that it is expected to have less exposure than a pure equity fund to adverse equity market conditions. However, the Fund may perform less strongly than a pure equity fund in benign or positive market conditions.

PORTFOLIO BREAKDOWN

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



FUND MANAGER COMMENTARY

The Diversified Fund returned +0.5% over the quarter. Its long-term comparator of developed global equities (as measured by the FTSE Developed World Index, 50% hedged to GBP) returned +4.3%. Since inception the Fund has returned + 8.8% per annum. Realised returns for the long-term comparator were +12.9% per annum.

Our long-term return expectation (for both developed equities as well as for the Fund) is around risk-free rates plus 3.5-4% or circa 4.25% since inception. We don't expect the Fund to match equity returns in an extended market rally given the Fund's diversified composition and in general expect the Fund to outperform equities in a downmarket given its diversified asset allocation.

The Fund's realised volatility since inception reflects 66% of the volatility of its long-term comparator. This is in line with the Fund's volatility target.

Currency hedging into the pound, emerging-market equities, and global high-yield bonds were the largest contributors to performance over the quarter. Listed global real estate and US inflation-linked bonds detracted from performance.

We added exposure to timberland and farmland over the quarter. This was implemented through a bespoke basket of securities. They provide similar exposure to direct ownership but with higher liquidity and market beta. We also added exposure to the US dollar and to euro fallen angels (investment-grade bonds that have been downgraded to high yield) to complement our sterling allocation to this asset class.

*Exposure through shares in listed vehicles.

**Exposure through investing in funds that aim to provide a similar return to selected commodity indices. The underlying funds invest in derivatives to provide the return of the specified indices.

Asset allocations are subject to change.

FUND MANAGERS

The Fund is managed by LGIM's Asset Allocation team. The team has a wealth of experience in fund management, investment strategy and economics. They are responsible for a wide range of multi-asset funds and investment strategies across LGIM's client base. The Fund allows a broad range of pension fund investors to access this expertise.

The day-to-day implementation of the allocation of the fund is managed by the Allocation Strategy Management team.

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 not get back 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 de minimus 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 £1,134.5 billion (as at 30 June 2019). We work with a wide range of global clients, including pension schemes, sovereign wealth funds, fund distributors and retail investors.

The AUM disclosed aggregates the assets managed by LGIM in the UK, LGIMA in the US and LGIM Asia in Hong Kong. The AUM includes the value of securities and derivatives positions.

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 | No |

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**

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

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Internal Fund Code: MAAG