

Legal & General Multi-Index 3 Fund
(a Sub-fund of Legal and General
Multi-Index Funds)

**Interim Manager's
Short Report
for the period ended
15 February 2018**

**EVERY
DAY
MATTERS.®**



Investment Objective and Policy

The aim of the Sub-fund is to generate capital growth and income, and to keep the Sub-fund within a pre-determined risk profile. The Sub-fund's potential gains and losses are likely to be constrained by the aim to stay within the risk profile.

The Sub-fund will have exposure to fixed income securities (both government and non-government), cash, equities and property. The Sub-fund will have a strong bias towards fixed income securities.

To obtain this exposure, the Sub-fund will invest at least 75% in collective investment schemes which may also provide an indirect exposure to money market instruments, deposits, near cash and alternative asset classes (such as commodities). The Sub-fund will mainly invest at least 50% in Index tracker schemes which are operated by Legal & General.

The Sub-fund may also invest directly in transferable securities (equity securities and fixed income securities), money market instruments, deposits, and cash and near cash.

The Sub-fund may use derivatives for efficient portfolio management purposes only.

The Sub-fund's risk profile is managed by restricting the types of assets held and the allocations of each asset type. The asset and allocation restrictions are set with reference to research carried out by an external agency and are based on the long term historic returns and volatility of each asset type. This external agency has determined risk bands ranging between 1 to 10, with 10 being the highest. This Sub-fund aims to stay within band 3.

Risk Profile

Credit risk

This Sub-fund invests in Collective Investment Schemes which hold financial securities such as bonds. With these investments, there is a risk of suffering loss due to a party not meeting its financial obligations. This risk is managed within the underlying funds by monitoring the financial stability of investments and companies, via credit ratings.

Market risk

Market risk arises mainly from uncertainty about future prices. It represents the potential loss the Sub-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.

Interest rate risk

This Sub-fund is invested in interest distributing funds. The performance of the Sub-fund may therefore be affected by changes in interest rates, through its holdings in these funds.

Currency risk

This Sub-fund is invested in Collective Investment Schemes which may invest in overseas financial securities. The performance of the Sub-fund may therefore be affected by changes in exchange rates. This risk is managed by the use of foreign currency futures, which aim to manage the effect of changing exchange rates.

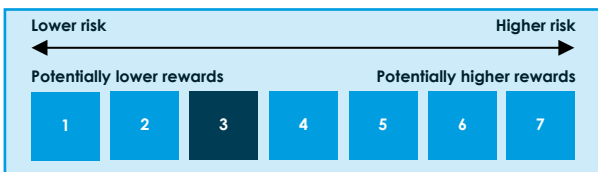
Fund Facts

Period End Dates for Distributions:	15 Feb, 15 Aug	
Distribution Dates:	15 Apr, 15 Oct	
Ongoing Charges Figures:	15 Feb 18	15 Aug 17
R-Class	0.77%	0.76%
F-Class	0.51%	0.50%
I-Class	0.32%	0.31%
C-Class	0.25%	0.24%
L-Class	0.07%	0.06%

The Ongoing Charges Figure (OCF) is the ratio of the Sub-fund's total disclosable costs (excluding overdraft interest) and all costs suffered through holdings in underlying Collective Investment Schemes, to the average net assets of the Sub-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 Sub-fund's risk and reward category in the future.
- The category number highlighted above reflects the rate at which the Sub-fund's unit price has moved up and down in the past. If the Sub-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.
- The Sub-fund is in category three because the mix of different asset types in which the Sub-fund invests has a balancing effect on the rate at which the Sub-fund share price moves up and down. This type of sub-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 Sub-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.

The Sub-fund targets risk profile three as calculated by Distribution Technology. They are an independent agency who provide risk profiling tools to advisers and fund managers.

The Risk and Reward profile scale above is calculated differently to the Distribution Technology Risk Profiles. The Distribution Technology profiles range from 1 to 10 with 10 being the highest (rather than a scale of 1 to 7 for the Risk and Reward profile).

More information on the Distribution Technology risk profiles is shown in the Prospectus. Alternatively you can contact us with any queries.

Distribution Information

R-Class

The distribution payable on 15 April 2018 is 0.3492p per unit for distribution units and 0.3517p per unit for accumulation units.

F-Class

The distribution payable on 15 April 2018 is 0.4923p per unit for distribution units and 0.5223p per unit for accumulation units.

I-Class

The distribution payable on 15 April 2018 is 0.5505p per unit for distribution units and 0.5860p per unit for accumulation units.

C-Class

The distribution payable on 15 April 2018 is 0.5718p per unit for distribution units and 0.6096p per unit for accumulation units.

L-Class

The distribution payable on 15 April 2018 is 0.6264p per unit for distribution units.

Net Asset Values and Units in Issue

Class	Net Asset Value (£)	Units in Issue	Net Asset Value per Unit (p)
R-Class			
Distribution Units	26,414	53,492	49.38
Accumulation Units	555,094	1,108,057	50.10
F-Class			
Distribution Units	47,601	80,982	58.78
Accumulation Units	693,864	1,106,057	62.73
I-Class			
Distribution Units	10,873,125	18,499,891	58.77
Accumulation Units	237,761,298	376,474,507	63.15
C-Class			
Distribution Units	4,614,762	7,850,481	58.78
Accumulation Units	31,541,291	49,810,865	63.32
L-Class			
Distribution Units	615	1,044	58.91

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.

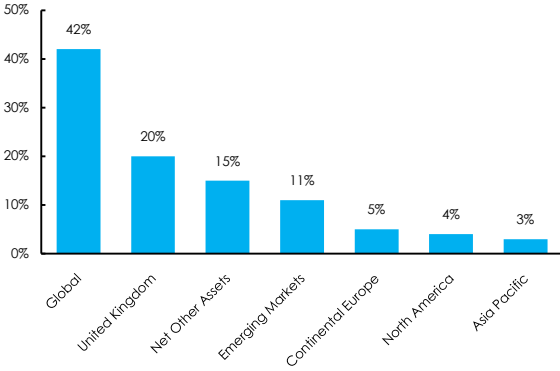
Exchange rate changes may cause the value of any overseas investments to rise or fall.

Portfolio Information

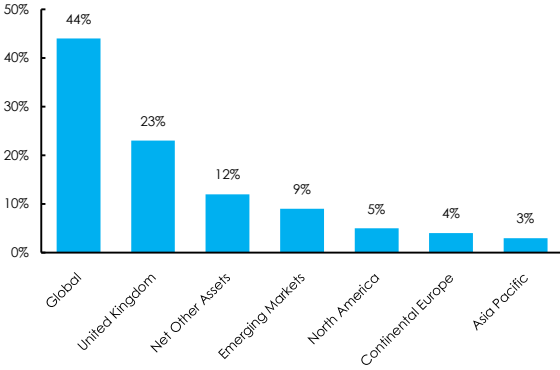
The top 10 holdings and their associated weighting at the current period and preceding year ends were:

Top 10 Holdings at 15 February 2018		Top 10 Holdings at 15 August 2017	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
Legal & General Global Inflation Linked Bond Index Fund 'L' Inc	10.90%	Legal & General All Stocks Gilt Index Trust 'I' Inc	11.04%
Legal & General Sterling Corporate Bond Index Fund 'L' Inc	9.80%	Legal & General Sterling Corporate Bond Index Fund 'L' Inc	10.80%
Legal & General All Stocks Gilt Index Trust 'I' Inc	9.52%	Legal & General Global Inflation Linked Bond Index Fund 'L' Inc	10.53%
Legal & General Short Dated Sterling Corporate Bond Index Fund 'L' Inc	8.36%	Legal & General Short Dated Sterling Corporate Bond Index Fund 'L' Inc	8.23%
LGIM Global Corporate Bond Fund 'B' Acc	8.00%	LGIM Global Corporate Bond Fund 'B' Acc	8.02%
Legal & General Emerging Markets Government Bond (US\$) Index Fund 'L' Inc	5.86%	Legal & General Emerging Markets Government Bond (US\$) Index Fund 'L' Inc	5.85%
Legal & General UK Property Fund 'L' Inc	4.48%	Legal & General UK Property Fund 'L' Inc	4.84%
Legal & General Emerging Markets Government Bond (Local Currency) Index Fund 'L' Inc	4.43%	Legal & General US Index Trust 'I' Inc	4.68%
Legal & General UK Index Trust 'I' Inc	4.33%	Legal & General High Income Trust 'I' Inc	4.40%
Legal & General UK Index Trust 'L' Inc	3.26%	Legal & General UK Index Trust 'L' Inc	3.70%

Fund Holdings as at 15 February 2018



Fund Holdings as at 15 August 2017



Manager's Investment Report

During the period under review, the bid price of the Sub-fund's F-Class accumulation units fell by 1.52%.

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 have made further gains over the review period, reflecting a steady improvement in global economic indicators and earnings growth that has exceeded expectations.

February 2018 was punctuated by the largest sell-off in global assets since August 2015, although market volatility was short-lived.

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 World Index as political concerns resurfaced. Talks to form a coalition government in

Germany have been 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.

The US Federal Reserve (Fed) sanctioned a gradual tightening of monetary policy, raising interest rates to 1.5% in December, while

Manager's Investment Report continued

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 issues in countries as diverse as Egypt, Russia and Argentina oversubscribed.

Fund Review

The Sub-fund delivered a negative return over the review period, which was characterised by broadly positive market sentiment that came to an abrupt end in February. Most equity markets moved higher in 2017 and into 2018, led by more cyclical sectors.

However, volatility spiked towards the end of the period amid concerns US interest rates could rise more rapidly than forecast.

Our holdings in UK gilts, UK credit and global credit all detracted from Sub-fund performance, as did our positions in emerging market debt. REITS and infrastructure proxies were also a drag on performance, due to their higher sensitivity to rising interest rates. The strongest contributions to relative performance came from equities over the majority of the period, with emerging market equities particularly strong.

In terms of allocation changes, we reduced our cash and UK gilt holdings in favour of equities and mid risk assets, in particular increasing the weight of local currency emerging market debt.

Manager's Investment Report continued

Outlook

Recent months have seen synchronised economic recovery but only subdued inflation. Although this is consistent with mid-economic cycle dynamics, rising inflation would start to push us towards late cycle. We do not see a recession as imminent but remain vigilant as we inch closer. Inflationary pressures are being stoked by lower unemployment, President Trump's tax plan and protectionism, while global growth remains strong. The recent US Employment Report supported the case that inflation could be heading higher, leading to significant stock market volatility.

Meanwhile, Sterling has proved to be the financial market most clearly linked to sentiment about Brexit. Against an average of the US Dollar, the Euro and the Japanese Yen, Sterling is now back to levels last seen very early on the morning of 24 June 2016, in contrast to those seen at the peak of fear in October 2016.

Legal & General Investment Management Limited

(Investment Adviser)

12 March 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.

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

EU Savings Directive

The Sub-fund 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 Sub-fund 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.

Dual Pricing Arrangement

The Manager's fixed dual pricing arrangement has a set spread to account for the costs of transacting in a particular Sub-fund.

Where the Manager operates a box through which unit subscriptions and unit redemptions are netted into a single trade instruction to the Trustee, the netting reduces the actual transaction costs and this generates a revenue to the Manager.

The revenue generated from this activity is calculated on a monthly basis and returned to the Sub-fund in the form of a payment from the Manager. This provides an enhanced return to the Sub-fund, through the size of any return will be dependent on the size of subscriptions and redemptions.

Minimum Investment Amounts

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

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

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

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 Sub-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.

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

Other Information

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

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

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**

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