

# L&G Absolute Return Bond Plus Fund



SICAV (UCITS compliant) Z-Class USD Dist

## FUND AIM

The Fund aims to generate positive returns in all market conditions. The Fund has a higher performance target than that of the L&G Absolute Return Bond Fund. The Fund aims to meet its performance objectives over a rolling three year period. There can be no assurance that the Fund will achieve its investment objective.

## RISK AND REWARD PROFILE



The synthetic risk and reward indicator (SRRI) is based on the historic volatility of the fund's value and it may change in the future.

The fund is in category 4 because it invests in company or government bonds which are sensitive to changes in interest rates, inflation and credit. This can be driven by political and economic changes and other significant events and may cause the value to fluctuate.

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

## WHO IS THIS FUND FOR?

- This fund is designed for investors looking for income or growth from an investment in fixed income securities
- Although investors can take their money out at any time, this fund may not be appropriate for those who plan to withdraw their money within five years
- This fund is not designed for investors who cannot afford more than a minimal loss of their investment
- If you do not understand this document we recommend you seek additional information to help you decide if this fund is right for you

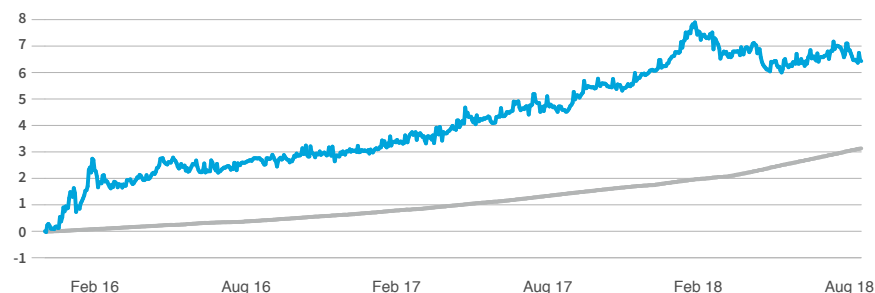
## FUND FACTS

|                                   |                               |  |
|-----------------------------------|-------------------------------|--|
| Fund size<br><b>\$297.8m</b>      | Base currency<br><b>USD</b>   | Benchmark<br><b>ICE BofAML USD LIBOR 3m Cons Maturity TR</b> |
| Launch date<br><b>29 Nov 2013</b> | Domicile<br><b>Luxembourg</b> | Modified duration<br><b>-0.26 years</b>                      |

## COSTS

|  |  |
|--|--|
| Initial charge<br><b>0.00%</b>           | Ongoing charge<br><b>0.05%</b>                   |
| Price basis<br><b>Single- full swing</b> | Dilution adjustment<br><b>0.57% - round trip</b> |

## PERFORMANCE (%)



|             | 1m    | 3m    | 1y    | 3y | Launch |
|-------------|-------|-------|-------|----|--------|
| ■ Fund      | -0.43 | -0.07 | 1.64  | -  | 2.33   |
| ■ Benchmark | 0.21  | 0.59  | 1.72  | -  | 1.14   |
| Relative    | -0.64 | -0.66 | -0.08 | -  | +1.19  |

## 12 MONTH PERFORMANCE TO MOST RECENT QUARTER (%)

| 12 months to 30 June | 2018  | 2017  | 2016 | 2015 | 2014 |
|----------------------|-------|-------|------|------|------|
| Fund                 | 2.07  | 2.16  | -    | -    | -    |
| Benchmark            | 1.52  | 0.85  | -    | -    | -    |
| Relative             | +0.55 | +1.31 | -    | -    | -    |

All performance periods over a year will be annualised. Performance for the Z USD Dist share class in USD, launched on 16 December 2015. Source: Lipper. Performance assumes all fund charges have been taken and that all income generated by the investments, after deduction of tax, remains in the fund. This fund has adopted a single swinging price, this means that on any given day the single dealing price will be set at either bid, offer or somewhere in between, based on whether there was a net inflow or outflow into or out of the Fund. The past performance depicted in this factsheet is based on that dealing price and therefore may appear more volatile than it would otherwise be if we were to show the notional bid or offer performance, this is as a result of the daily swing.

**Past performance is not a guide to future returns. The value of your investment and any income taken from it is not guaranteed and may go up and down.**

The eligibility for the Z share class is restricted and may require a separate fee agreement with LGIM. Please contact us to discuss share class eligibility.

## FUND SNAPSHOT

- Aims to generate positive returns in all market conditions
- Invests in a broad range of fixed income asset classes
- Seeks alpha via a range of additional investments including CDS, rates and global currencies



## PORTFOLIO BREAKDOWN

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

### CURRENCY (%)

|       |      |  |
|-------|------|--|
| USD   | 98.4 |  |
| GBP   | 2.0  |  |
| EUR   | 1.9  |  |
| AUD   | 0.1  |  |
| HKD   | -0.2 |  |
| ZAR   | -2.3 |  |
| Other | 0.1  |  |

This is the currency breakdown before allowing for any hedging the fund may use.

### CREDIT EXPOSURE (NET %)

#### Credit Long/Short

|                  |       |  |
|------------------|-------|--|
| EM Debt          | 0.06  |  |
| Investment Grade | 0.05  |  |
| High Yield       | -0.02 |  |

Total Net Exposure 0.09

■ Long Exposure ■ Short Exposure  
◆ Net Exposure

Total net credit exposure is the impact on profit/loss to the portfolio calculated as the impact of a 5% move tighter in credit spreads based on a reference level of 100% Itraxx Eur Main (with 4yr CS01 Duration Equivalent).

### CREDIT RATING (%)

|      |      |  |
|------|------|--|
| AAA  | 10.8 |  |
| AA   | 21.6 |  |
| A    | 20.2 |  |
| BBB  | 20.7 |  |
| BB   | 5.8  |  |
| B    | 6.2  |  |
| CCC  | 1.3  |  |
| NR   | 2.0  |  |
| Cash | 11.6 |  |

### SECTOR (%)

|                      |      |  |
|----------------------|------|--|
| Sovereign            | 28.5 |  |
| ABS                  | 13.3 |  |
| Cash and Equivalents | 11.5 |  |
| Banks                | 11.4 |  |
| Consumer Goods       | 5.7  |  |
| Industrials          | 5.6  |  |
| Utilities            | 5.3  |  |
| Financial Services   | 4.7  |  |
| Consumer Services    | 4.7  |  |
| Real Estate          | 3.0  |  |
| Oil & Gas            | 2.5  |  |
| Other                | 1.7  |  |
| Basic Materials      | 1.2  |  |
| Technology           | 0.9  |  |

### COUNTRY (PV %)

|                |      |  |
|----------------|------|--|
| United States  | 57.3 |  |
| United Kingdom | 13.7 |  |
| Argentina      | 2.0  |  |
| China          | 1.8  |  |
| Canada         | 1.6  |  |
| India          | 1.6  |  |
| Nigeria        | 1.5  |  |
| France         | 1.3  |  |
| Iraq           | 1.3  |  |
| Other          | 18.0 |  |

### TOP 10 ISSUERS (%)

|                                     |      |
|-------------------------------------|------|
| United States of America            | 19.0 |
| Philip Morris International Inc     | 3.3  |
| Deere & Co                          | 3.3  |
| Goldman Sachs Group Inc             | 2.3  |
| AMEX Credit Account Master Trust    | 1.8  |
| Cabela's Credit Card Mstr Note Trst | 1.7  |
| Ciesco LLC                          | 1.6  |
| Wal-Mart Stores Inc                 | 1.5  |
| Morgan Stanley                      | 1.3  |
| Republic of Iraq                    | 1.3  |



■ Top 10 issuers 37.0%  
■ Rest of portfolio 63.0%  
No. of issuers 167

## FUND MANAGER COMMENTARY

After a strong July, risky assets had a much more difficult August. In Europe, the Morandi bridge collapse and budget uncertainty led to weakness across Italian assets. The banking sector was particularly impacted, which led to weakness across broader European financials. Within investment grade credit, sterling bonds outperformed euro-denominated bonds, while emerging markets had a challenging time.

The fund delivered negative returns in August, with our holdings in investment grade and emerging market bonds detracting from performance. At the same time, our short position in CDS indices was modestly negative for performance as the basis between bond and CDS spreads widened meaningfully over the month. Our overall long US dollar versus short emerging markets currency exposure contributed positively in August and we continue to run those positions. We continue to run a defensive credit portfolio with equity tail risk hedges. We also maintain a long bias toward the US dollar and a short duration bias at the front end of the US treasury curve.

Looking ahead, strong US economic data should encourage further US monetary policy tightening, which in turn is likely to keep pressure on international US dollar borrowers, particularly across emerging markets. The technical backdrop for corporate bond markets can often be difficult in September as issuance accelerates, and we will also see the political cycle hot up with the Italian budget and US/China trade negotiations coming to the fore.



### JULIEN HOUDAIN

Julien is a portfolio manager in the Multi-Strategy Fixed Income team where he is responsible for global credit and absolute return mandates. He joined LGIM in September 2007 from Fortis Investments, where he was a quantitative strategist in the structured finance team and developed market standard and proprietary models for the pricing and risk management of credit derivatives as well as trading and hedging strategies. Julien has a PhD in financial modelling from the Ecole Normale Supérieure, Paris, France.

## KEY RISKS

- This fund holds bonds that, rather than being traded on an exchange, are traded through agents, brokers or investment banks matching buyers and sellers. This makes the bonds less easy to buy and sell than investments that are traded on an exchange and on any particular day there may not be a buyer or a seller for the bonds. In times of market uncertainty or if an exceptional amount of withdrawals are requested it may become less easy for your fund to sell investments and the Manager may defer withdrawals, or suspend dealing. The Manager can only delay paying out if it is in the interests of all investors and with the permission of the fund trustee or depository.
- The fund invests directly or indirectly in bonds which are issued by companies or governments. If these companies or governments experience financial difficulty, they may be unable to pay back some or all of the interest, original investment or other payments that they owe. If this happens, the value of your fund may fall.
- The fund could lose money if any institution providing services such as acting as counterparty to derivatives or other instruments, becomes unwilling or unable to meet its obligations to the fund.
- Derivatives are highly sensitive to changes in the value of the asset on which they are based and can increase the size of losses and gains. The impact to the fund can be greater where derivatives are used in an extensive or complex way.
- The fund may have underlying investments that are valued in currencies that are different from the currency of this share class. Any such investments will be impacted by exchange rate fluctuations and this may affect the value of your investment and any income from it. Currency hedging techniques may be applied to reduce the impact of exchange rate fluctuations but may not entirely eliminate it.
- We may take some or all of the ongoing charges from the fund's capital rather than the fund's income. This increases the amount of income, but it reduces the growth potential and may lead to a fall in the value of the fund.
- Investment returns on bonds are sensitive to trends in interest rate movements. Their values are likely to fall when interest rates rise. Such falls may be more pronounced in a low interest rate environment. Bonds with a short time to go before their maturity date will fall by less than bonds with a longer time to their maturity date.

For more information, please refer to the key investor information document on our website [↗](#)

## COUNTRY REGISTRATION

 Luxembourg  Switzerland  United Kingdom

## Important information

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**Internal Fund Code: 5401**



## 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

|                         |                   |
|-------------------------|-------------------|
| Valuation frequency     | Daily, 16:00 CET  |
| Dealing frequency       | Each Business Day |
| Settlement period       | T+3               |
| Administrator/Custodian | Northern Trust    |

## CODES

|                  |            |              |
|------------------|------------|--------------|
| <b>ISIN</b>      | Z USD Acc  | LU0989305403 |
|                  | Z USD Dist | LU0989305585 |
| <b>Bloomberg</b> | Z USD Acc  | LGLHAZA LX   |
|                  | Z USD Dist | LGLHAZI LX   |

## TO FIND OUT MORE

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