



## PORTFOLIO BREAKDOWN

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



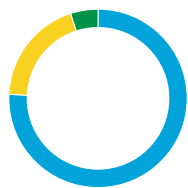
■ Top 10 issuers 14.6%  
■ Rest of portfolio 85.4%  
No. of issuers 303

### TOP 10 ISSUERS (%)

Teva Pharm Finance Llc	2.3
Petroleo Brasileiro SA	2.2
Scientific Games Corp	1.5
General Electric Co	1.4
Corral Finans AB	1.4
Valeant Pharmaceuticals International	1.3
Softbank Corporation	1.2
Sprint Communications Inc	1.2
Matalan Group Ltd	1.2
Iceland Topco Ltd	1.1

### TOP SECTOR OVER/UNDERWEIGHTS (%)

	Fund	Benchmark	Relative
Retailers	9.9	4.0	6.0
Cash	5.6	0.1	5.6
Gaming	5.6	2.6	3.0
Manufacturing	4.4	1.5	2.9
Food / Drink	4.2	2.6	1.6
Transportation	3.2	1.9	1.3
Consumer Products	2.0	1.3	0.8
Chemicals	1.5	3.0	-1.6
Paper / Forest / Pack	1.5	3.4	-1.9
Homebuilders / materi	6.3	8.5	-2.1
Services	1.6	4.9	-3.4
Telecommunications	6.6	10.1	-3.5
Other	45.3	49.5	-4.1
Cable / Satellite TV	2.2	6.7	-4.5



### CURRENCY (%)

■ USD	75.7
■ EUR	19.3
■ GBP	5.0

This is the currency breakdown before allowing for any hedging the fund may use. We aim to hedge the portfolio 100% back to the base currency.

### CREDIT RATING (%)

	Fund	Benchmark	Relative
BBB	4.0	-	4.0
BB	35.0	58.4	-23.4
B	49.7	41.5	8.2
CCC	0.0	-	0.0
NR	1.7	-	1.7
Cash	5.6	0.1	5.6
Split rated	3.9	-	3.9

## FUND MANAGER COMMENTARY

The high yield market posted negative returns in December, as risk assets continued to be volatile. Tightening monetary conditions remain an important driver in markets, and a lack of soothing words from the US Federal Reserve was a key reason for the continued risk-off tone over the month. This was exacerbated by fragile commodity markets, with a particular focus on oil prices – much of the market weakness was focused on energy-sensitive names.

Early in the month we continued to reduce our exposure to single B names in Europe. We see greater downside risk here and are now underweight relative to the benchmark in European high yield. Regionally, they the fund has moved from being marginally underweight to marginally overweight in North America, where we continue to see robust economic growth. We are now neutral on emerging markets where credit quality is improving and valuations are attractive.

Looking ahead, we see a tougher economic environment in Europe, although there remains the likelihood of reasonable growth in the US. As a result, the number of defaults seems likely to rise in Europe and will likely be materially higher than in the US.



### MARTIN REEVES

Martin Reeves is Head of Global High Yield. Prior to joining LGIM in 2011, Martin ran Credit Research at AllianceBernstein where he had worked since 1998. Prior to Alliance Bernstein Martin was Head of US High Yield Research at UBK Asset Management and a Chartered Accountant with Ernst & Young. Martin holds an MA in Economics from Cambridge University, St Catharine's College.

## 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 depositary.
- 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 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

 Germany  Luxembourg  Netherlands  United Kingdom



### 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 €1,113.61 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

**ISIN** LU1815131104

**Bloomberg** LGHZEUA LX

## TO FIND OUT MORE

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**Internal Fund Code: 5422**