

L&G Euro High Alpha Corporate Bond Fund



SICAV (UCITS compliant) Z-Class EUR (Unhedged)

FUND AIM

The Fund aims to provide investors with a combination of growth and income.

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 3 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 €135.3m | Base currency EUR | Benchmark Markit iBoxx Euro Corporates TR | |
| Launch date 8 Dec 2014 | Domicile Luxembourg | Modified duration 5.16 years | Gross redemption yield 1.41% |

COSTS

| | |
|--|--|
| Initial charge 0.00% | Ongoing charge 0.05% |
| Price basis Single- full swing | Dilution levy 0.34% - round trip |

PERFORMANCE (%)



| | 1m | 6m | 1y | 3y | Launch |
|-------------|-------|-------|-------|-------|--------|
| ■ Fund | -0.08 | 1.14 | 3.51 | 2.46 | 2.78 |
| ■ Benchmark | -0.27 | 0.69 | 2.73 | 1.74 | 2.07 |
| Relative | +0.19 | +0.45 | +0.78 | +0.72 | +0.71 |

ANNUAL PERFORMANCE (%)

| 12 months to 31 December | 2017 | 2016 | 2015 | 2014 | 2013 |
|--------------------------|-------|-------|-------|------|------|
| Fund | 2.89 | 4.90 | 0.66 | - | - |
| Benchmark | 2.37 | 4.72 | -0.66 | - | - |
| Relative | +0.52 | +0.18 | +1.32 | - | - |

All performance periods over a year will be annualised. Performance for the Z EUR (Unhedged) Dist share class in EUR, launched on 08 December 2014. 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. For detail on price basis methodologies please refer to the 'Guide to Investing With Us' found on our website. [↗](#)

FUND SNAPSHOT

- Aims to produce a return derived from capital growth and income
- Invests predominantly in a variety of euro denominated fixed interest instruments
- May also invest in asset-backed securities such as mortgage-backed securities and consumer loans



PORTFOLIO BREAKDOWN

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



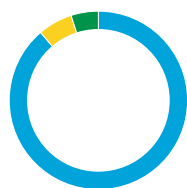
■ Top 10 issuers 27.1%
■ Rest of portfolio 72.9%
No. of issuers 130

TOP 10 ISSUERS (%)

| | |
|---------------------------|-----|
| BUNDESREPUBLIK DEUTSCHLAN | 9.6 |
| DEUTSCHE BANK AG | 2.4 |
| INTESA SANPAOLO SPA | 2.2 |
| Credit Agricole | 2.1 |
| UBS AG | 2.0 |
| ING GROEP NV | 2.0 |
| AT&T Inc | 1.8 |
| Daimler AG | 1.7 |
| RWE AG | 1.7 |
| FGA CAPITAL SPA | 1.6 |

TOP SECTOR OVER/UNDERWEIGHTS (%)

| | Fund | Benchmark | Relative | |
|----------------------|------|-----------|----------|--|
| Sovereign | 9.9 | - | 9.9 | |
| Utilities | 14.6 | 11.5 | 3.1 | |
| Cash and Equivalents | 2.6 | - | 2.6 | |
| Real Estate | 4.4 | 3.4 | 1.0 | |
| Technology | 2.8 | 1.9 | 1.0 | |
| Consumer Services | 4.5 | 3.7 | 0.9 | |
| Covered | 0.4 | - | 0.4 | |
| Insurance | 3.8 | 5.2 | -1.4 | |
| Oil & Gas | 2.9 | 5.1 | -2.2 | |
| Telecommunications | 5.4 | 7.6 | -2.2 | |
| Industrials | 6.2 | 8.7 | -2.5 | |
| Health Care | 2.0 | 4.6 | -2.7 | |
| Consumer Goods | 10.4 | 13.3 | -2.9 | |
| Basic Materials | -0.1 | 3.1 | -3.2 | |



CURRENCY (%)

| | |
|-------|------|
| ■ EUR | 88.6 |
| ■ GBP | 6.3 |
| ■ USD | 4.9 |

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

CREDIT RATING (%)

| | Fund | Benchmark | Relative | |
|------|------|-----------|----------|--|
| AAA | 9.9 | 0.6 | 9.3 | |
| AA | 1.8 | 10.0 | -8.2 | |
| A | 27.1 | 39.9 | -12.8 | |
| BBB | 50.9 | 49.5 | 1.4 | |
| BB | 5.1 | - | 5.1 | |
| B | 1.5 | - | 1.5 | |
| CCC | 0.2 | - | 0.2 | |
| NR | 0.9 | - | 0.9 | |
| Cash | 2.6 | - | 2.6 | |

FUND MANAGER COMMENTARY

The clear trend during January was higher government bond yields, but continued strength in risky asset classes. Central bank meetings were relatively uneventful, although the European Central Bank (ECB) minutes led to some upward pressure on yields. Spread tightening partially offset the rise in underlying yields, although total returns for many bond asset classes were still negative over the month. The ECB's corporate bond purchase programme (CSPP) continued to provide strong support for the European credit market.

The fund outperformed the benchmark in January, although some of the relative outperformance was due to a swing in the underlying unit price. The portfolio kept up with the rally and outperformed the benchmark due to our off-benchmark allocation to high yield and also subordinated bank names. In addition, stock selection in insurance names and US issuers benefited from positive drivers such as the strong earnings season, as well as the digestion of the US tax reform announced at the end of 2017.

The recent increase in government bond yields demonstrates that liquidity conditions are gradually tightening. In January, strong economic data and the positive impact of US tax reform were able to offset this pressure, but this support may ebb. Given stretched valuations for credit spreads and 2017's strong performance across equity markets, vulnerabilities are building. We therefore remain cautious and plan to rotate some of recent outperformers in higher beta sectors into issuers eligible for the ECB's CSPP.



Marc Rovers



Matthew Rees

FUND MANAGERS

Marc joined LGIM in May 2012. Marc started in the industry in 1995 as a portfolio manager at ABP investments (now APG). He holds an MSc in economics and is a Certified European Financial Analyst (CEFA).

Matthew joined LGIM in March 2009. Matthew has more than 23 years' experience in financial services and graduated from the University of York with a BA (hons) in English.

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 sterling (British pounds). 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



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 £983.3 billion (as at 31 December 2017). We work with a wide range of global clients, including pension schemes, sovereign wealth funds, fund distributors and retail investors.

Assets under management includes derivative positions and assets managed by LGIMA, an SEC Registered Investment Advisor.

DEALING INFORMATION

| | |
|-------------------------|-------------------|
| Valuation frequency | Daily, 13:00 CET |
| Dealing frequency | Each Business Day |
| Settlement period | T+3 |
| Administrator/Custodian | Northern Trust |

CODES

| | | |
|------------------|------------|--------------|
| ISIN | Z EUR Acc | LU1003761217 |
| | Z EUR Dist | LU1003761308 |
| Bloomberg | Z EUR Acc | TBC |
| | Z EUR Dist | LGEHACZ LX |

TO FIND OUT MORE

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

Important information

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Internal Fund Code: 5417