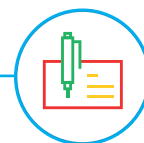


Active Corporate Bond- All Stocks- Fund



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

FUND AIM

The fund aims to exceed the Markit iBoxx £ Non-Gilts Index by 0.75% p.a. (before fees) over a three year rolling period.

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.

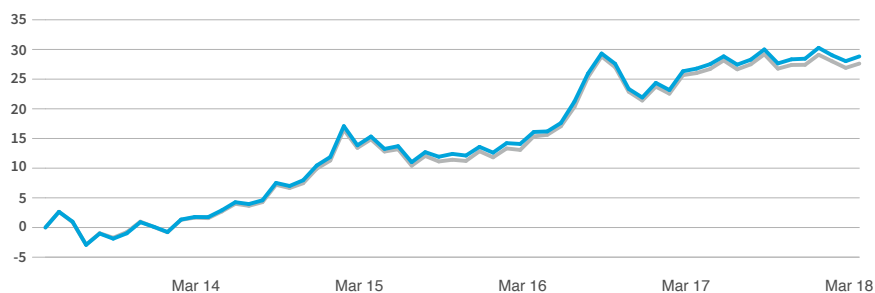
WHO IS THIS FUND FOR?

- The trustees of UK registered and 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 £4,365.6m	Base currency GBP	Benchmark Markit iBoxx £ Non-Gilts Index	
Launch date Jul 2002	Domicile United Kingdom	Gross redemption yield 2.72%	Modified duration 7.97 years

PERFORMANCE (%)



	YTD	3m	6m	1y	3y	5y
■ Fund	-1.12	-1.12	0.91	1.62	3.76	5.20
■ Benchmark	-1.15	-1.15	0.66	1.24	3.57	5.00
Relative	+0.03	+0.03	+0.25	+0.38	+0.19	+0.20

CALENDAR YEAR PERFORMANCE (%)

	2017	2016	2015	2014	2013
Fund	4.76	10.44	0.67	12.76	1.00
Benchmark	4.32	10.65	0.49	12.20	0.87
Relative	+0.44	-0.21	+0.18	+0.56	+0.13

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 future performance and the value of investments can go down as well as up.**

FUND CHARACTERISTICS

While the fund actively manages interest rate risk, it seeks to outperform the benchmark principally through active management of credit risk. The fund has a duration of up to +/-1 year relative to its benchmark and a tracking error range of up to 1.5% p.a. The fund primarily invests in corporate fixed interest securities denominated in sterling with credit ratings of BBB- (or equivalent) and above. The fund can also hold an exposure to UK government bonds and cash. In order to access greater investment opportunities, the fund is permitted to allocate a maximum of 20% of the portfolio to EUR and USD credit hedged back to sterling. The fund has the ability to use derivatives for more efficient portfolio management (Available from 1 December 2008).

Please note that there is a performance differential for end of March 2018, please see page 3 for further information.

PORTFOLIO BREAKDOWN

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



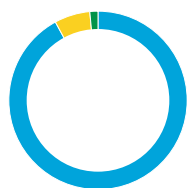
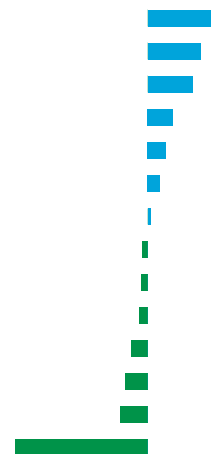
■ Top 10 issuers 26.5%
■ Rest of portfolio 73.5%
No. of issuers 313

TOP 10 ISSUERS (%)

United Kingdom	7.2
Lloyds Banking Group plc	3.0
General Electric Co	2.6
Hsbc Holdings plc	2.4
European Investment Bank	2.3
Bank Of America Corporation	1.9
Wells Fargo & Company	1.8
Aviva plc	1.8
EDF SA	1.8
Thames Water Ltd	1.6

TOP SECTOR OVER/UNDERWEIGHTS (%)

	Fund	Benchmark	Relative
Cash	3.6	-	3.6
Financial Services	5.3	2.6	2.7
Banks	16.9	14.5	2.3
Telecommunications	6.7	5.4	1.3
Insurance	7.1	6.2	0.9
ABS	9.8	9.1	0.6
Covered	3.9	3.7	0.2
Health Care	1.6	1.9	-0.3
Consumer Goods	5.0	5.4	-0.4
Oil & Gas	1.1	1.6	-0.5
Basic Materials	0.1	0.9	-0.9
Industrials	3.1	4.3	-1.2
Utilities	13.5	14.9	-1.4
Sovereign	15.4	22.3	-6.9



CURRENCY (%)

■ GBP	92.0
■ USD	6.5
■ EUR	1.5

CREDIT RATING (%)

	Fund	Benchmark	Relative
AAA	9.1	19.3	-10.1
AA	13.2	13.5	-0.4
A	25.6	29.2	-3.6
BBB	47.1	37.9	9.2
BB	1.4	-	1.4
NR	0.0	0.1	-0.1
Cash	3.6	-	3.6



FUND MANAGER COMMENTARY

Sterling corporate bond markets had a weak quarter, with the rise in underlying government yields weighing on returns from the asset class. In addition, credit spreads widened notably as risk aversion returned to markets amid fears of rising US inflation and growing international trade disputes. Pan-European credit markets outperformed in relative terms, with investors encouraged by the combination of the ongoing regional economic recovery and continued supportive monetary policy.

The fund outperformed the benchmark index over the first quarter, and has also outperformed over the past year. Overweight positions in selected financial services names such as the Wellcome Trust were a key driver of portfolio outperformance. Our underweight position in subordinated bank debt was also beneficial as this market sector suffered amid the market weakness. In addition, our underweight stance in the industrial goods and services sector was positive for relative performance. On the negative side, our off-benchmark exposure to selected high yield companies and overweight in lower tier 2 insurance names detracted from relative returns given the rise in market volatility.

Looking ahead, markets are sensitive to negative headlines, and volatility has increased. This is likely to be due to the gradual removal of central bank support, which leaves investors facing higher volatility and yields that remain very low in a historical context. The earnings season could afford some respite, but the market backdrop appears to be weaker.



ROBERT BARNARD-SMITH

Robert is responsible with the other fixed income managers for setting the strategy on our global Investment Grade Credit product. He joined LGIM in February 2001, after spending nine years in the fixed interest team at Schroders, where he managed both government and credit portfolios. Previously, Robert trained as an accountant with Prudential Assurance before moving to the fixed interest team at Citibank Global Asset Management.

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 get back less than 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 deminimus 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 [↗](#)

Please note that fund and client performance numbers for any investment periods up to the end of March 2018 are based on FX rates as at 30 March 2018. Due to the public holiday in the UK and some International markets on 30 March 2018, the end of March 2018 index performance numbers are based on FX rates as at 29 March 2018. The performance differential attributable to this timing discrepancy will be expected to reverse in April. Should you require more information please contact clientreportingteam@lgim.com.



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

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	Yes

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: DC