

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.

We have classified this product as class 3 out of 7, which is a medium-low class. This summary risk indicator is based on historical data which may not be a reliable indication of the fund's risk category in the future.

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

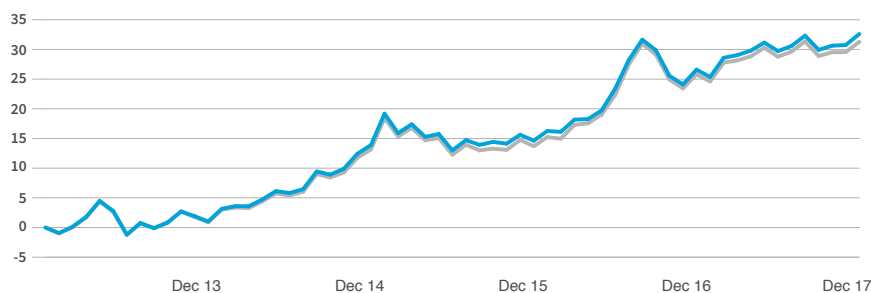
WHO IS THIS FUND FOR?

- 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 £4,593.2m	Base currency GBP	Benchmark Markit iBoxx £ Non-Gilts Index	
Launch date Jul 2002	Domicile United Kingdom	Gross redemption yield 2.51%	Modified duration 8.16 years

PERFORMANCE (%)



Fund	YTD	3m	6m	1y	3y	5y
■ Fund	4.76	2.06	2.23	4.76	5.21	5.81
■ Benchmark	4.32	1.83	1.92	4.32	5.07	5.59
Relative	+0.44	+0.23	+0.31	+0.44	+0.14	+0.22

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. 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).

PORTFOLIO BREAKDOWN

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



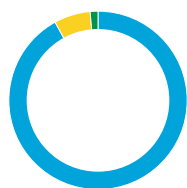
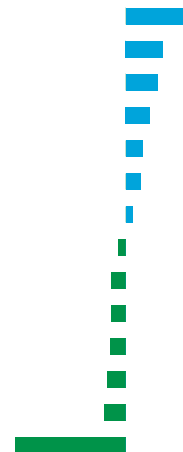
■ Top 10 issuers 26.3%
■ Rest of portfolio 73.7%
No. of issuers 308

TOP 10 ISSUERS (%)

UNITED KINGDOM	8.1
LLOYDS BANKING GROUP PLC	2.8
GENERAL ELECTRIC CO	2.6
EUROPEAN INVESTMENT BANK	2.3
HSBC HOLDINGS PLC	2.2
EDF SA	1.9
AVIVA PLC	1.8
BANK OF AMERICA CORPORATION	1.6
PPL CORP	1.6
THAMES WATER LTD	1.6

TOP SECTOR OVER/UNDERWEIGHTS (%)

	Fund	Benchmark	Relative
Cash and Equivalents	4.0	-	4.0
ABS	11.4	9.1	2.3
Financial Services	4.4	2.5	1.9
Telecommunications	6.8	5.3	1.5
Banks	15.5	14.5	1.0
Insurance	7.2	6.3	0.9
Health Care	2.4	1.9	0.4
Oil & Gas	1.1	1.6	-0.5
Consumer Services	3.3	4.2	-0.9
Industrials	3.2	4.1	-0.9
Basic Materials	0.1	1.0	-1.0
Consumer Goods	4.3	5.4	-1.1
Utilities	13.4	14.7	-1.3
Sovereign	16.0	22.7	-6.7



CURRENCY (%)

■ GBP	91.9
■ USD	6.6
■ EUR	1.4

CREDIT RATING (%)

	Fund	Benchmark	Relative
AAA	8.6	19.4	-10.8
AA	14.5	14.2	0.2
A	26.2	29.1	-2.9
BBB	45.0	37.2	7.8
BB	1.7	-	1.7
NR	0.0	0.1	-0.1
Cash	4.0	-	4.0



FUND MANAGER COMMENTARY

Sterling credit markets had another strong quarter against a continued backdrop of synchronised global economic growth. UK credit spreads (the additional yield available on corporate bonds compared to government bonds) continued to grind steadily tighter which, combined with falling underlying gilt yields, led to positive returns for sterling credit investors.

The fund outperformed the benchmark index over the fourth quarter, and has also outperformed over the past year. Overweight positions in selected subordinated insurance names such as Scottish Widows and Prudential were a key driver of portfolio outperformance. Our off-benchmark exposure to selected high yield companies was also positive for performance over the quarter. In addition, our credit selection in the utilities sector was beneficial, including our underweight stance in General Electric. On the negative side, our underweight in lower-rated bank debt detracted from relative returns, although this was offset by our insurance positioning. Elsewhere, company-specific news led to selected underperformance in the personal and household goods sector.

With strong global growth, consensus estimates being revised higher and inflation subdued, appetite for risk assets remains high for now. However, given the current global growth outlook, a subdued dollar and lower volatility in oil markets, prices could grind higher yet. Despite this, we believe the potential reward for the current market pricing of risk is relatively poor. Asset prices are high by many historic measures and the length of the recent



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 de minimus 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 [↗](#)



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