

Active Corporate Bond- All Stocks- Fund

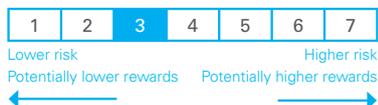


Unit-Linked Life Insurance Reported in GBP (Gross of charges)

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.

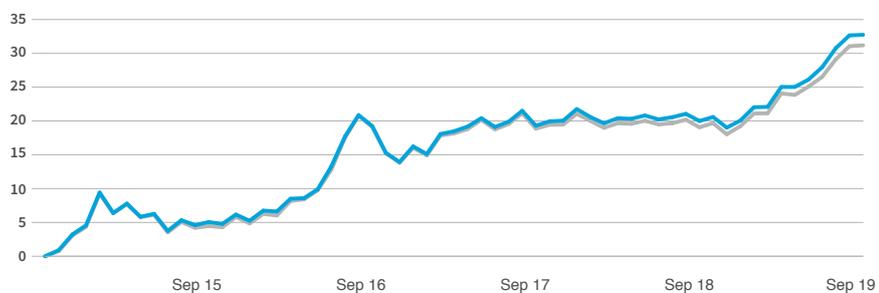
WHO IS THIS FUND FOR?

- 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 £3,712.7m	Base currency GBP	Benchmark Markit iBoxx £ Non-Gilts Index	
Launch date Jul 2002	Domicile United Kingdom	Gross redemption yield 2.14% (unhedged)	Modified duration 7.84 years

PERFORMANCE (%)



	YTD	3m	6m	1y	3y	5y
■ Fund	10.56	3.74	6.17	10.63	3.64	5.83
■ Benchmark	10.02	3.68	5.73	10.17	3.27	5.57
Relative	+0.54	+0.06	+0.44	+0.46	+0.37	+0.26

CALENDAR YEAR PERFORMANCE (%)

	2018	2017	2016	2015	2014
Fund	-1.40	4.76	10.44	0.67	12.76
Benchmark	-1.51	4.32	10.65	0.49	12.20
Relative	+0.11	+0.44	-0.21	+0.18	+0.56

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 the future.**

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.



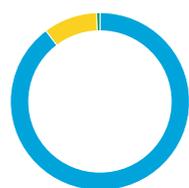
■ Top 10 issuers 28.0%
■ Rest of portfolio 72.0%
No. of issuers 314

TOP 10 ISSUERS (%)

United Kingdom	8.8
HSBC Holdings plc	2.7
Lloyds Banking Group plc	2.4
Wells Fargo & Company	2.3
Henkel	2.1
AT&T Inc	2.0
Thames Water Ltd	2.0
Aviva plc	1.9
General Electric Co	1.9
United Utilities Water plc	1.9

TOP SECTOR OVER/UNDERWEIGHTS (%)

	Fund	Benchmark	Relative
Utilities	17.4	14.0	3.4
Cash and Equivalents	2.6	-	2.6
Financial Services	4.9	2.4	2.5
Consumer Goods	7.3	5.1	2.2
Insurance	8.0	6.3	1.7
Banks	15.2	14.1	1.1
Consumer Services	4.9	4.0	0.9
Other	0.1	-	0.1
Health Care	1.8	1.8	0.0
Technology	0.4	0.9	-0.4
Basic Materials	0.1	0.9	-0.8
Real Estate	1.3	2.9	-1.6
ABS	8.6	10.7	-2.1
Sovereign	11.9	22.8	-10.9



CURRENCY (%)

■ GBP	89.8
■ USD	9.8
■ EUR	0.6

CREDIT RATING (%)

	Fund	Benchmark	Relative
AAA	4.1	19.8	-15.6
AA	15.1	11.4	3.7
A	30.2	26.1	4.1
BBB	44.2	40.2	4.0
BB	3.7	2.6	1.1
NR	0.0	-	0.0
Cash	2.6	-	2.6

FUND MANAGER COMMENTARY

Sterling credit generated strong returns, reflecting the robust performance of underlying gilts as the UK economy cooled markedly amid ongoing uncertainties over the path of the Brexit process. With survey data highlighting the risk that the UK economy may have dipped into recession during Q3, sterling credit spreads mirrored the widening in euro spreads.

Stock selection within the collateralised sector was a strong positive contributor, as was underweight positioning in UK banks. The overweight in Vodafone was disadvantageous due to Brexit uncertainty and investor reluctance to buy longer dated sterling credit.

The fund's beta was just over 1 at the end of the quarter. We have moved to a more defensive stance, reducing cyclical risk in autos and UK banks, with underweight positioning in commercial real estate. We retain overweight positions in sectors and holdings with defensive or deleveraging characteristics. We are overweight the UK, but underweight UK financials. The overweight to the US is driven by telecommunications exposure. Duration positioning over the quarter was flat versus the benchmark.

The next few weeks could be important for the US/China trade war and Brexit; the outcome of both will go a long way to determining the risk of recession. On the positive side, talk of fiscal support appears to be gaining momentum, and could be a key market support given monetary policy is close to exhaustion. However, downside economic risks appear more immediate and still support a cautious credit portfolio stance.



IAN HUTCHINSON

Ian leads our UK Active Credit team and lead manages our flagship all-stock and over 10 year strategies. He joined LGIM in 2004 as a product specialist on the fixed income desk, and in 2006 became a trainee fund manager role working on UK investment grade credit portfolios. He started his career in 1998 at Standard & Poor's MMS as a Eurobond analyst. Ian is IMC qualified and a CFA charterholder. He holds a degree in international relations from the University of Sussex.

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 £1,134.5 billion (as at 30 June 2019). We work with a wide range of global clients, including pension schemes, sovereign wealth funds, fund distributors and retail investors.

The AUM disclosed aggregates the assets managed by LGIM in the UK, LGIMA in the US and LGIM Asia in Hong Kong. The AUM includes the value of securities and derivatives positions.

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



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Internal Fund Code: DC