For Professional Clients

Mixed investment funds

Q2 2021 Quarterly fund update

This document has been produced for professional advisers for discussion with existing investors who are familiar with investment terminology.

Legal & General Mixed Investment 20-60% Fund

Unit Trust (UK UCITS compliant) C-Class GBP Acc

WHAT'S THE STORY?

The second quarter saw positive returns for most asset classes in local currency terms as the economic recovery from the effects of the COVID-19 pandemic continued. Over the quarter, we witnessed a few upside surprises to US inflation, mainly caused by the fall in prices when economies went into lockdown over a year ago (inflation tends to be measured year on year), and supply constraints. However, market participants anticipated much of these effects and still believe this inflation spike to be transitory. Meanwhile, the global vaccine rollout continued apace as some of the early laggards such as the EU and Japan began to catch up with the initial pace setters.

Alternative investments had a strong quarter with global REITs and commodities leading the way as the recovery progressed. Equities had another strong quarter, in particular Europe (ex-UK) and US equities, as social distancing measures were rolled back. In fixed income, after a weak first quarter, bonds saw some positive returns as yields fell, supporting the narrative that the elevated inflation we are now seeing is transitory.

FUND MANAGERS

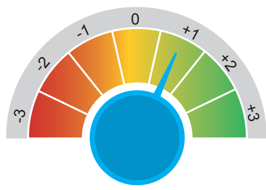
Bruce White

Christopher Teschmacher

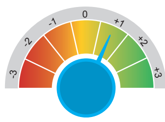
PERFORMANCE (%)

12 months to 30 June	2021	2020	2019	2018	2017
Fund	12.68	-0.76	5.51	2.27	11.46

Source: Lipper, LGIM as at 30 June 2021. Total Return net of tax and charges. C-Class GBP Accumulation. Please remember, the value of investments and any income from them may fall as well as rise and you may get back less than you invest. **Past performance is not a guide to future performance.**

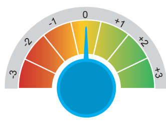


CORE VIEW ON RISK ASSETS POSITIVE



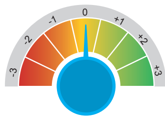
Economic cycle

Coming out of recession has historically been most positive phase of cycle



Valuations

Relative valuations not at attractive levels



Systemic risk

Concerns around both political and credit risk

FUND REVIEW

The fund delivered a positive return over the period. The main positive contributions to performance were US, UK and Europe (ex-UK) equities. There were no significant detractors from performance.

We currently have a strategy in place to try to reduce duration over key risk events and as such, have been managing our exposure to duration over the quarter. Most recently, we reduced exposure to US government bonds ahead of the US jobs report at the beginning of June as we believed the risks were skewed towards strong data.

Later in the quarter, we also adjusted exposure to US government bonds at various maturities. This was after we saw the US yield curve flatten to a greater degree than expected following the mid-June Federal Reserve meeting. We reduced exposure to long dated US bonds in favour of short dated bonds in anticipation that some of this flattening would reverse

We rebalanced our allocation to artificial intelligence stocks after witnessing the recent sell-off in the sector versus the broad US market. However, we believe the sell-off was somewhat excessive. The earnings outlook is still strong for tech, and if anything has strengthened recently, so we have taken the opportunity to add exposure.

We added a position in South African government bonds, hedging the foreign currency exposure back to sterling. Given their particularly steep yield curve, there is potential to earn a premium above hedging costs. This follows a sell-off in these bonds since January.

OUTLOOK

We believe that we are now in the mid-stage of the economic cycle. We reached this stage far quicker than in a typical cycle, which can be put down to the unconventional nature of the pandemic-induced recession. However, we maintain our slightly positive medium-term view on overall risk. Please see below for details of our subcomponent dials.

Mid-cycle can still be supportive for risk assets, although it is not as supportive as early cycle.

Nevertheless, monetary and fiscal policy are expected to remain supportive for now and we continue to expect rapid growth over the next 12 months. We believe inflationary pressures amid reopening will prove to be transitory. We therefore hold a slightly positive view of the economic backdrop.

We believe equity valuations are slightly elevated on an absolute basis, particularly in the US, but relative to bonds, equities still appear reasonably valued. We also expect earnings to beat expectations over the coming months which should be supportive. We therefore maintain our neutral view on equity valuations and prefer equities over credit.

When it comes to systemic risk (where we consider political and credit risk), tensions between superpowers are still present, but we do not see a return of tit for tat tariff measures between the US and China as previously. Additionally, each of the three major economic blocks (The EU, US and China) have shown impressive institutional resilience in the last year. We therefore hold a neutral view on risk.

We will continue to update you as our outlook evolves with the changing investment landscape.

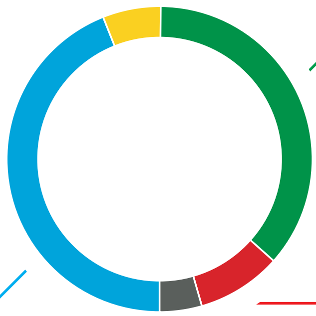
Legal & General INVESTMENT MANAGEMENT

ASSET ALLOCATION BREAKDOWN

All data source LGIM unless otherwise stated. Totals may not sum due to rounding. As at 30 June 2021.

Government Bonds	**6.1**
Gilts	3.2
Dev ex UK Sovereign	2.4
Global Inflation-Linked Bonds	0.5

Credit and Emerging Market Debt	**36.5**
Global Corporates	11.3
UK Corporate Bonds	8.1
Emerging Market Bonds (Local)	6.5
High Yield	6.1
Emerging Market Bonds (Hard Currency)	4.4



Alternatives	**8.9**
Listed Infrastructure	5.3
Real Estate Investment Trusts	3.6

Equities	**44.0**
UK Equity	16.1
North America Equity	9.4
Europe ex UK Equity	7.3
Japan Equity	4.3
Asia Pacific ex Japan Equity	3.5
Emerging Market Equity	3.3

Cash	**4.5**
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