

Legal & General Short Dated
Sterling Corporate Bond Index Fund

**Annual Manager's
Short Report
for the year ended
15 February 2017**

**EVERY
DAY
MATTERS.®**



Investment Objective and Policy

The Fund aims to track the total return performance of the Markit iBoxx Sterling Corporates 1-5 Index (the “Index”) (after adjustment for management charges and taxation).

The Fund will invest primarily in the securities that make up the constituents of the Index. The bonds the Fund invests in will be primarily composed of short dated investment grade Sterling denominated corporate bonds and will be held with weightings generally proportionate to the weightings in the Index.

The Fund may also invest in other transferable securities, permitted deposits, money market instruments, cash, near cash and units in collective investment schemes.

The Fund may hold derivatives for the purpose of efficient portfolio management.

Risk Profile

Credit Risk

This Fund is invested in financial securities such as bonds. With these investments, there is a risk of suffering loss due to a party not meeting its financial obligations. This risk is managed by monitoring the financial stability of investments and companies, via credit ratings.

Market Risk

Market risk arises mainly from uncertainty about future prices. It represents the potential loss the Fund may suffer through holding market positions in the face of market movements. The Manager adheres to the investment guidelines and in this way, monitors and controls the exposure to risk from any type of security, sector or issuer.

Interest Rate Risk

This Fund is invested in interest bearing securities. The performance of the Fund may therefore be affected by changes in interest rates. The active monitoring and adjustment of the investments in the portfolio manages this risk.

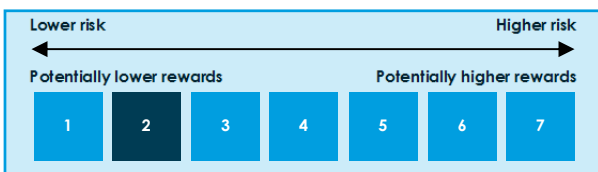
Fund Facts

Period End Dates for Distributions:	15 Feb, 15 Aug	
Distribution Dates:	15 Apr, 15 Oct	
Ongoing Charges Figures:	15 Feb 17	15 Feb 16
I-Class	0.14%	0.14%
L-Class	0.05%	0.05%
C-Class	0.09%	0.09%

The Ongoing Charges Figure (OCF) is the ratio of the Fund’s total discloseable costs (excluding overdraft interest) to the average net assets of the Fund.

The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a fund and is calculated based on the last period’s figures.

Risk and Reward Profile



- This risk and reward profile is based on historical data which may not be a reliable indication of the Fund's risk and reward category in the future.
- The category is based on the rate at which the Fund and the Index it is tracking have moved up and down in the past.
- This Fund is in category two because it invests in investment grade bonds with between 1 and 5 years until maturity which generally provide higher rewards and higher risks than investments in cash and lower rewards and lower risks than investments in investment grade bonds with a longer time until maturity, sub-investment grade bonds or company shares.
- The Fund's category is not guaranteed to remain the same and may change over time.
- Even a fund in the lowest category is not a risk free investment.

Distribution Information

I-Class

The distribution payable on 15 April 2017 is 0.6207p gross per unit for distribution units and 0.6529p gross per unit for accumulation units.

L-Class

The distribution payable on 15 April 2017 is 0.6228p gross per unit for distribution units.

C-Class

The distribution payable on 15 April 2017 is 0.6221p gross per unit for distribution units and 0.6540p gross per unit for accumulation units.

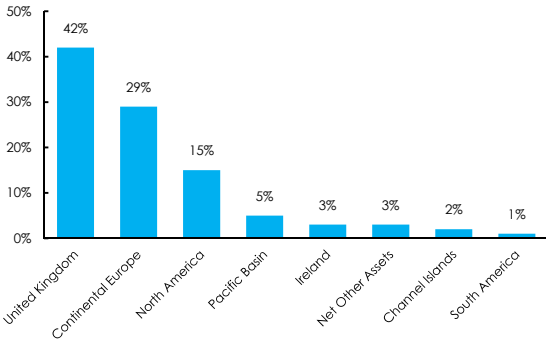
Portfolio Information

The top 10 holdings and their associated weightings at the current and preceding year ends were:

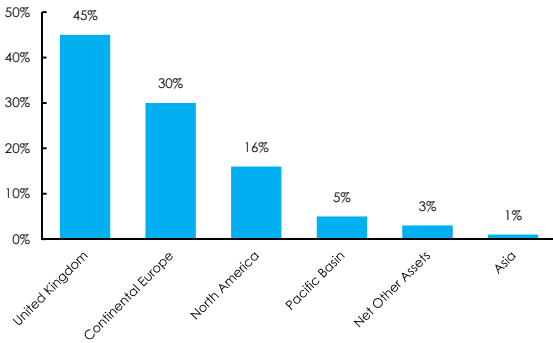
Top 10 Holdings at 15 February 2017		Top 10 Holdings at 15 February 2016	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
Barclays Bank 10% 21/05/2021	2.79%	UBS 6.625% 11/04/2018	1.12%
E.On International Finance 6% 30/10/2019	1.23%	E.On International Finance 6% 30/10/2019	1.06%
Bank of America 6.125% 15/09/2021	1.06%	Bank of America 7.75% 30/04/2018	1.02%
Nationwide Building Society 5.625% 09/09/2019	1.01%	HSBC 6.375% 18/10/2022	1.01%
Citigroup 5.125% 12/12/2018	0.97%	Citigroup 5.125% 12/12/2018	0.95%
Abbey National Treasury Services 1.875% 17/02/2020	0.95%	ING Bank 6.875% 29/05/2023	0.95%
BP Capital Markets 4.325% 10/12/2018	0.92%	BP Capital Markets 4.325% 10/12/2018	0.89%
Telefonica Emisiones 5.597% 12/03/2020	0.91%	Telefonica Emisiones 5.597% 12/03/2020	0.88%
Glencore Finance 6.5% 27/02/2019	0.89%	Telefonica Emisiones 5.375% 02/02/2018	0.86%
UBS 6.625% 11/04/2018	0.88%	Nationwide Building Society 5.625% 09/09/2019	0.85%

Holdings with a maturity date greater than 5 years from 15 February 2017 are 'callable' by the issuer within the next 5 years and are therefore likely to mature before the final maturity date shown.

Fund Holdings as at 15 February 2017



Fund Holdings as at 15 February 2016



Comparative Tables

I-Class Distribution Units

Change in Net Asset Value per Unit

Accounting year ending	15/02/17 (pence per unit)	15/02/16 (pence per unit)	15/02/15 [^] (pence per unit)
Opening net asset value per unit	49.33	50.59	50.00
Return before operating charges*	2.98	0.20	1.79
Operating charges (calculated on average price)	(0.07)	(0.07)	(0.09)
Return after operating charges*	2.91	0.13	1.70
Distributions on income units ^{^^}	(1.29)	(1.39)	(1.11)
Closing net asset value per unit	50.95	49.33	50.59
* after direct transaction costs of:	—	—	—

Performance

Return after charges	5.90%	0.26%	3.40%
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Other Information

Closing net asset value (£)	68,177,676	22,958,079	8,393,352
Closing number of units	133,815,312	46,541,369	16,591,272
Operating charges	0.14%	0.14%	0.18%
Direct transaction costs	nil	nil	nil

Prices

Highest unit price	51.99p	51.07p	51.77p
Lowest unit price	49.37p	49.65p	49.76p

[^] The Fund launched on 14 May 2014.

^{^^} Distributions on income units are shown gross of taxation.

Past performance is not a guide to future performance.

The price of units and any income from them may go down as well as up.

Comparative Tables continued

I-Class Accumulation Units

Change in Net Asset Value per Unit

Accounting year ending	15/02/17 (pence per unit)	15/02/16 (pence per unit)	15/02/15 [^] (pence per unit)
Opening net asset value per unit	51.33	51.49	50.00
Return before operating charges*	3.11	0.19	1.80
Operating charges (calculated on average price)	(0.07)	(0.07)	(0.09)
Return after operating charges*	3.04	0.12	1.71
Distributions ^{^^}	(1.35)	(1.41)	(1.11)
Retained distributions on accumulation units ^{^^}	1.21	1.13	0.89
Closing net asset value per unit	54.23	51.33	51.49
* after direct transaction costs of:	—	—	—

Performance

Return after charges	5.92%	0.23%	3.42%
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Other Information

Closing net asset value (£)	103,070,462	44,724,156	128,007,296
Closing number of units	190,077,925	87,122,745	248,612,238
Operating charges	0.14%	0.14%	0.18%
Direct transaction costs	nil	nil	nil

Prices

Highest unit price	54.41p	51.98p	51.79p
Lowest unit price	51.38p	51.09p	49.77p

[^] The Fund launched on 14 May 2014.

^{^^} Distributions are shown gross of taxation. The amounts shown for 'Retained distributions on accumulation units' are net of 20% income tax, except for the 2017 final distribution, which will be paid on a gross basis – See Significant Changes on page 13.

Past performance is not a guide to future performance.

The price of units and any income from them may go down as well as up.

Comparative Tables continued

L-Class Distribution Units

Change in Net Asset Value per Unit

Accounting year ending	15/02/17 (pence per unit)	15/02/16 (pence per unit)	15/02/15 [^] (pence per unit)
Opening net asset value per unit	49.43	50.64	50.00
Return before operating charges*	2.99	0.21	1.78
Operating charges (calculated on average price)	(0.03)	(0.03)	(0.03)
Return after operating charges*	2.96	0.18	1.75
Distributions on income units ^{^^}	(1.29)	(1.39)	(1.11)
Closing net asset value per unit	51.10	49.43	50.64
* after direct transaction costs of:	—	—	—

Performance

Return after charges	5.98%	0.36%	3.50%
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Other Information

Closing net asset value (£)	53,370,474	30,921,012	28,511,192
Closing number of units	104,453,181	62,559,528	56,297,973
Operating charges	0.05%	0.05%	0.05%
Direct transaction costs	nil	nil	nil

Prices

Highest unit price	52.11p	51.13p	51.83p
Lowest unit price	49.47p	49.73p	49.78p

[^] The Fund launched on 14 May 2014.

^{^^} Distributions on income units are shown gross of taxation.

Past performance is not a guide to future performance.

The price of units and any income from them may go down as well as up.

Comparative Tables continued

C-Class Distribution Units

Change in Net Asset Value per Unit

Accounting year ending	15/02/17 (pence per unit)	15/02/16 (pence per unit)	15/02/15 [^] (pence per unit)
Opening net asset value per unit	49.38	50.60	50.00
Return before operating charges*	2.98	0.22	1.78
Operating charges (calculated on average price)	(0.05)	(0.05)	(0.07)
Return after operating charges*	2.93	0.17	1.71
Distributions on income units ^{^^}	(1.29)	(1.39)	(1.11)
Closing net asset value per unit	51.02	49.38	50.60
* after direct transaction costs of:	—	—	—

Performance

Return after charges	5.93%	0.34%	3.42%
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Other Information

Closing net asset value (£)	35,749,130	11,025,291	1,012
Closing number of units	70,067,497	22,329,342	2,000
Operating charges	0.09%	0.09%	0.13%
Direct transaction costs	nil	nil	nil

Prices

Highest unit price	52.05p	51.10p	51.81p
Lowest unit price	49.41p	49.69p	49.77p

[^] The Fund launched on 14 May 2014.

^{^^} Distributions on income units are shown gross of taxation.

Past performance is not a guide to future performance.

The price of units and any income from them may go down as well as up.

Comparative Tables continued

C-Class Accumulation Units

Change in Net Asset Value per Unit

Accounting year ending	15/02/17 (pence per unit)	15/02/16 (pence per unit)	15/02/15 [^] (pence per unit)
Opening net asset value per unit	51.37	51.50	50.00
Return before operating charges*	3.11	0.20	1.79
Operating charges (calculated on average price)	(0.05)	(0.05)	(0.07)
Return after operating charges*	3.06	0.15	1.72
Distributions ^{^^}	(1.35)	(1.41)	(1.11)
Retained distributions on accumulation units ^{^^}	1.21	1.13	0.89
Closing net asset value per unit	54.29	51.37	51.50
* after direct transaction costs of:	—	—	—

Performance

Return after charges	5.96%	0.29%	3.44%
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Other Information

Closing net asset value (£)	179,161,936	137,908,448	1,030
Closing number of units	329,999,671	268,461,621	2,000
Operating charges	0.09%	0.09%	0.13%
Direct transaction costs	nil	nil	nil

Prices

Highest unit price	54.48p	52.00p	51.81p
Lowest unit price	51.41p	51.12p	49.77p

[^] The Fund launched on 14 May 2014.

^{**} Distributions are shown gross of taxation. The amounts shown for 'Retained distributions on accumulation units' are net of 20% income tax, except for the 2017 final distribution, which will be paid on a gross basis – See Significant Changes on page 13.

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Manager's Investment Report

During the year under review, the bid price of the Trust's I-Class accumulation units rose by 5.63%. Markit iBoxx, the Index compiler, calculates the benchmark Index at the end of the business day using closing prices, whereas the Fund is valued using prevailing prices at 12 noon. Therefore, for tracking purposes the Fund has been revalued using closing prices and adjusted for the effects of charges and taxation. On this basis over the review year, the Fund rose by 5.80%, compared with the benchmark Index rise of 6.07% (Source: Bloomberg), producing a tracking difference of -0.27%.

Past performance is not a guide to future performance.

The value of investments and any income from them may go down as well as up.

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Market/Economic Review

There was some disparity in economic growth amongst the major economies over the review year. The US economy continued to grow steadily, despite fluctuations in quarterly economic growth figures (GDP), while Donald Trump's victory in the November presidential election focused investors on the prospect of increased infrastructure spending and tax cuts. As 2016 drew to a close, investors anticipated a further rise in interest rates, which duly occurred in December but were surprised when the Federal Reserve signalled three further rate hikes in 2017. In contrast, the Bank of England cut interest rates to 0.25% in the third quarter of 2016 and extended its asset purchase programme, known as quantitative easing (QE), to support the economy following the EU referendum. Inflationary pressures remained relatively subdued despite oil prices rising strongly on balance throughout the year. With the Eurozone experiencing very low levels of inflation, the European Central Bank (ECB) continued to sanction large-scale QE to shore up business and consumer confidence.

Over the past year, higher-rated government bonds such as US treasuries, UK gilts and German bunds were initially underpinned by demand from risk-averse investors, as interest rates remained very low worldwide. However, towards the end of the review year, interest rates in the major economies moved higher, particularly in the US where investors discounted looser fiscal policy. In the UK, the sharp post-referendum devaluation of Sterling raised expectations that inflation will accelerate over the coming year and consequently index-linked gilts easily outperformed their conventional counterparts. The Bank of England's decision to add

Manager's Investment Report continued

high quality corporate bonds to its QE programme in August provided a much-needed boost for sterling-denominated bonds and sparked a wave of new issuance.

Fund Review

All investment activity was prompted either by unit holder activity or by monthly changes in the profile of the benchmark Index.

During the review year, 53 bonds were added to the Index. Eight were new issues and the rest were existing bonds that entered the Index by falling below five years to maturity. Two bonds left the Index after the amount remaining in issue following a corporate action fell below the Index minimum issue size, one bond left after being called and one bond exited the Index after being downgraded below Investment Grade. There was also one sinking bond which left after a sinking payment took it below the Index minimum issue size. A further 62 bonds with less than a year to maturity also left the Index. The Fund participated in eight new issues from issuers including British American Tobacco, National Grid, FCA Bank, Daimler and Unilever. The Fund also took part in 15 corporate actions across a range of sectors.

The Fund experienced net positive cash flow during the review year. The cash flows were used to adjust the Fund's holdings in such a way so as to ensure the Fund maintained an Index distribution at all times. The Fund was also rebalanced at each month end in line with the revised Index distribution.

Outlook

Despite a number of downside political surprises throughout 2016, market volatility was subdued by aggressive support from central banks, together with the hope that a reflationary shift will solve global structural problems. Valuations are pricing in a continuation of this environment with low credit spreads, strong emerging markets, buoyant equities and restrained government bond yields. However, we believe this is an unstable state of affairs. Structural problems have deteriorated in the last twelve months and political risk remains acute. Any resultant weakness is now less likely to be met with central bank support due to rising inflation and political pressure.

We believe that credit spreads could widen during 2017, global interest rates could fall and the US dollar could rally further. Just like in 2016, central banks could look to support markets as macroeconomic conditions deteriorate, but we believe that such periods will provide only temporary relief.

Legal & General Investment Management Limited

(Investment adviser)

10 March 2017

Manager's Report and Accounts

Copies of the most recent Interim and Annual Long Form Manager's Reports are available free of charge by telephoning 0370 050 0955, by writing to the Manager or are available on the internet at www.legalandgeneral.com/investments/fund-information/managers-reports.

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

Information on Tracking Error

The 'Tracking Error' of a Fund is the measure of the volatility of the differences between the return of the Fund and the return of the benchmark Index. It provides an indication of how closely the Fund is tracking the performance of the benchmark Index after considering things such as Fund charges and taxation.

Using monthly returns, over the review year, the annualised Tracking Error of the Fund is 0.02%, whilst since launch on 14 May 2014 to the end of February 2017, the annualised Tracking Error is 0.03%. These Tracking Errors are within the anticipated Tracking Error levels set out in the Fund's Prospectus of +/- 0.50% per annum.

EU Savings Directive

The Fund has been reviewed against the requirements of the Directive 2003/48/EC on Taxation of savings in the form of interest payments (ESD), following the HM Revenue & Customs debt investment reporting guidance notes.

Under the Directive, information is collected about the payment of distributions to residents in certain other countries and is reported to HM Revenue & Customs to be exchanged with Tax authorities in those countries.

The Fund falls within the 25% debt investment reporting threshold. This means that details of all distributions and redemption proceeds paid to non UK investors will be reported by Legal & General (Unit Trust Managers) Limited to HM Revenue & Customs to be exchanged with the relevant Tax authorities.

Dual Pricing Arrangement

The Manager's fixed dual pricing arrangement has a set spread to account for the costs of transacting in a particular Fund. Where the Manager operates a box through which unit subscriptions and unit redemptions are netted into a single trade instruction to the Trustee, the netting reduces the actual transaction costs and this generates a revenue to the Manager. With effect from 1 January 2016, the revenue generated from this activity is calculated on a monthly basis and returned to the Fund in the form of a payment from the manager. This provides an enhanced return to the Fund, through the size of any return will be dependent on the size of subscriptions and redemptions.

Minimum Investment Amounts

The minimum initial lump sum investment amounts for each class are as follows:

I-Class	£1,000,000
L-Class	£100,000
C-Class	£100,000,000

L-Class is only available for investment to companies within the Legal & General Group.

C-Class Units are only available to distributors who actively market and distribute such Units (or whom the manager believes intends to do so) and to whom the Manager has confirmed by letter that they meet the criteria for investment in such Units.

Other Information

The information in this report is designed to enable unitholders to understand how the Fund has performed during the year under review and how it is invested at the year end. Further information on the activities and performance of the Fund can be obtained by telephoning 0370 050 0955 or by writing to the Manager.

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

Significant Changes

Gross Distribution Payments

We'd like to make you aware of an HM Revenue & Customs ruling which became effective from 6 April 2017. Where interest distributions were previously paid net, we are required to start paying all interest distributions on a gross basis, starting with the 2017 final distribution payment. Prior to 6 April 2017, interest distributions were paid to clients after the deduction of 20% income tax, unless the client has completed a gross declaration form. From 6 April 2017, we will not deduct tax on any interest distributions and all payments will be made gross.

It will become your responsibility to make any declarations to HM Revenue & Customs. If you are in any doubt as to your taxation position, please consult a professional adviser.

Authorised Fund Manager

Legal & General (Unit Trust Managers) Limited

Registered in England and Wales No. 01009418

Registered office:

One Coleman Street,

London EC2R 5AA

Telephone: 0370 050 3350

Authorised and regulated by the Financial Conduct Authority

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

Trustee

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Authorised by the Prudential Regulation Authority and regulated

by the Financial Conduct Authority and the Prudential

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Financial Conduct Authority**

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