

Legal & General Cash Trust  
**Annual Manager's  
Short Report**  
for the year ended  
**5 February 2018**

**EVERY  
DAY  
MATTERS.®**





## **Investment Objective and Policy**

The investment objective of the Trust is to maintain capital and to provide a return in line with money market rates, before charges.

The Trust will generally invest in short term deposits, certificates of deposit, government bonds issued in pounds Sterling and Repos. The maximum maturity of these instruments is 397 days but the Trust must maintain a weighted average maturity of less than 60 days.

The bonds that the Trust invests in must be investment grade (rated as lower risk).

The Trust may also invest in other fixed income securities, other money market instruments and collective investments schemes. The Trust may use derivatives for efficient portfolio management purposes only. Where the Manager considers it appropriate, for example, in times of market stress, the Trust may be significantly invested in government and public securities.

## **Risk Profile**

### **Credit Risk**

This Trust holds deposits with financial institutions. 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 these financial institutions, via credit ratings.

### **Market Risk**

Market risk arises mainly from uncertainty about future prices. It represents the potential loss the Trust may suffer through holding market positions in the face of markets 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 Trust holds cash deposits. The performance of the Trust may therefore be affected by changes in interest rates. The active monitoring and adjustment of the investments in the portfolio manages this risk.

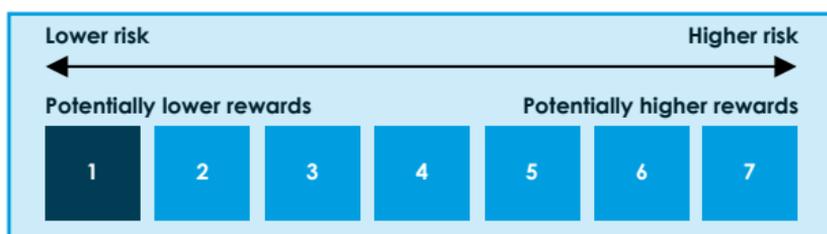
## Trust Facts

Period End Dates for Distributions:	5 Feb, 5 May, 5 Aug and 5 Nov	
Distribution Dates:	5 Jan, 5 Apr, 5 Jul and 5 Oct	
Ongoing Charges Figures:	5 Feb 18	5 Feb 17
R-Class	0.25%	0.34%
I-Class	0.15%	0.17%
L-Class	—	—

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

The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a trust 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 Trust's risk and reward category in the future.
- The category number highlighted above reflects the rate at which the Trust's unit price has moved up and down in the past. If the Trust has less than five years' track record, the number also reflects the rate at which a representative benchmark has moved up and down in the past. Higher numbers mean the potential reward could be greater, but this comes with increased risk of losing money.
- The Trust is in category one as it invests in instruments which are very liquid, have short maturities which have a high credit rating and are considered lower risk than longer maturing securities.
- The Trust's category is not guaranteed to remain the same and may change over time.
- Even a trust in the lowest category is not a risk free investment.

## **Distribution Information**

### **R-Class**

The distribution payable on 5 April 2018 is 0.0374p per unit for accumulation units.

### **I-Class**

The distribution payable on 5 April 2018 is 0.0637p per unit for accumulation units.

### **L-Class**

The distribution payable on 5 April 2018 is 0.0519p per unit for accumulation units.

## Portfolio Information

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

Top 10 Holdings at 5 February 2018		Top 10 Holdings at 5 February 2017	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
Rabobank International 0.45% 06/02/2018	4.97%	Rabobank International 0.20% 06/02/2017	7.00%
DZ Bank 0.44% 06/02/2018	3.55%	Landesbank Hessen- Thuringen 0.18% 06/02/2017	5.83%
Landesbank Hessen Thuringen 0.43% 06/02/2018	3.55%	National Bank of Abu Dhabi 0.20% 06/02/2017	5.83%
National Bank of Abu Dhabi 0.43% 06/02/2018	3.55%	BRED Banque Populaire 0.44% 08/05/2017	3.11%
Societe Generale 0.45% 06/02/2018	3.55%	Societe Generale 0.20% 06/02/2017	2.72%
The Bank of Tokyo-Mitsubishi 0.42% 06/02/2018	3.55%	Bank of China Limited 0.00% 13/03/2017	2.33%
DZ Bank 0.00% 13/02/2018	3.19%	Banque Fédérative du Crédit Mutuel 0.00% 06/02/2017	2.33%
Sumitomo Mitsui Banking Corporation 0.00% 12/03/2018	2.84%	BNP Paribas 0.25% 20/02/2017	2.33%
Sumitomo Mitsui Banking Corporation 0.43% 06/02/2018	2.37%	Credit Agricole 0.43% 29/06/2017	2.33%
BRED Banque Populaire 0.6% 12/02/2018	2.13%	Credit Suisse 0.57% 09/05/2017	2.33%

## Comparative Tables

### R-Class Accumulation Units

#### Change in Net Asset Value per Unit

Accounting Year ending	05/02/18 (pence per unit)	05/02/17 (pence per unit)	05/02/16 (pence per unit)
Opening net asset value per unit	93.70	93.62	93.77
Return before operating charges*	0.33	0.43	0.46
Operating charges (calculated on average price)	(0.23)	(0.32)	(0.61)
Return after operating charges*	0.10	0.11	(0.15)
Distributions <sup>^</sup>	(0.10)	(0.13)	—
Retained distributions on accumulation units <sup>^</sup>	0.10	0.10	—
Closing net asset value per unit	93.80	93.70	93.62
* after direct transaction costs of:	—	—	—

#### Performance

Return after charges	0.11%	0.12%	(0.17)%
----------------------	-------	-------	---------

#### Other Information

Closing net asset value (£)	6,799,578	8,353,477	8,278,346
Closing number of units	7,248,869	8,914,862	8,843,092
Operating charges <sup>†</sup>	0.25%	0.34%	0.65%
Direct transaction costs	0.00%	0.00%	0.00%

#### Prices

Highest unit price	93.81p	93.70p	93.76p
Lowest unit price	93.70p	93.61p	93.62p

<sup>^</sup> Distributions are shown gross of taxation. The amounts shown for 'Retained distributions on accumulation units' are net of 20% income tax, except for distributions made from April 2017 onwards, which will be paid on a gross basis – See Significant Changes on page 11.

<sup>†</sup> Operating charges, otherwise known as the OCF is the ratio of the Trust's total disclosable costs (excluding overdraft interest) to the average net assets of the Trust.

**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	05/02/18 (pence per unit)	05/02/17 (pence per unit)	05/02/16 (pence per unit)
Opening net asset value per unit	96.94	96.75	96.54
Return before operating charges*	0.35	0.40	0.48
Operating charges (calculated on average price)	(0.15)	(0.16)	(0.22)
Return after operating charges*	0.20	0.24	0.26
Distributions <sup>^</sup>	(0.20)	(0.25)	(0.27)
Retained distributions on accumulation units <sup>^</sup>	0.20	0.20	0.22
Closing net asset value per unit	97.14	96.94	96.75
* after direct transaction costs of:	—	—	—

#### Performance

Return after charges	0.21%	0.25%	0.27%
----------------------	-------	-------	-------

#### Other Information

Closing net asset value (£)	203,534,086	131,991,849	71,269,463
Closing number of units	209,527,079	136,159,731	73,660,292
Operating charges <sup>†</sup>	0.15%	0.17%	0.21%
Direct transaction costs	0.00%	0.00%	0.00%

#### Prices

Highest unit price	97.15p	96.93p	96.75p
Lowest unit price	96.93p	96.75p	96.53p

<sup>^</sup> Distributions are shown gross of taxation. The amounts shown for 'Retained distributions on accumulation units' are net of 20% income tax, except for distributions made from April 2017 onwards, which will be paid on a gross basis – See Significant Changes on page 11.

<sup>†</sup> Operating charges, otherwise known as the OCF is the ratio of the Trust's total disclosable costs (excluding overdraft interest) to the average net assets of the Trust.

**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 Accumulation Units

#### Change in Net Asset Value per Unit

Accounting Year ending	05/02/18 (pence per unit)	28/04/16 to 05/02/17* (pence per unit)
Opening net asset value per unit	50.12	50.00
Return before operating charges*	0.18	0.16
Operating charges (calculated on average price)	—	—
Return after operating charges*	0.18	0.16
Distributions <sup>^</sup>	(0.18)	(0.16)
Retained distributions on accumulation units <sup>^</sup>	0.18	0.12
Closing net asset value per unit	50.30	50.12
* after direct transaction costs of:	—	—

#### Performance

Return after charges	0.36%	0.32%
----------------------	-------	-------

#### Other Information

Closing net asset value (£)	1,197,787,417	1,145,691,285
Closing number of units	2,381,324,232	2,285,910,174
Operating charges <sup>†</sup>	—	—
Direct transaction costs	0.00%	0.00%

#### Prices

Highest unit price	50.30p	50.11p
Lowest unit price	50.12p	50.00p

<sup>^</sup> Distributions are shown gross of taxation. The amounts shown for 'Retained distributions on accumulation units' are net of 20% income tax, except for distributions made from April 2017 onwards, which will be paid on a gross basis – See Significant Changes on page 11.

<sup>†</sup> Operating charges, otherwise known as the OCF is the ratio of the Trust's total disclosable costs (excluding overdraft interest) to the average net assets of the Trust.

\* L-Class launched on 28 April 2016

**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.**

## **Manager's Investment Report**

During the year under review, the bid price of the Trust's R-Class accumulation units rose by 0.12%.

**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.**

### **Market/Economic Review**

Sterling money market rates remained steady early on in 2017, before rising notably in second half of the year with the 3-month Sterling LIBOR rate ending January 2018 at 0.52%.

In its economic assessment released in May, the Bank of England forecast that inflation would continue to rise above its 2% target over 2017 before peaking at just below 3% in the fourth quarter. The bank delivered a cautious UK economic outlook predicting living standards would fall this year as higher inflation outstrips wage growth. Governor Mark Carney indicated the Bank of England might need to raise interest rates if business investment begins to rise, offsetting weaker consumption.

Early in the second half of 2017, money markets moved to price in the growing likelihood that the Bank of England Monetary Policy Committee (MPC) would opt to raise interest rates in early November. The benchmark consumer price index (CPI) rose at its fastest pace for over five years in September, increasing to 3% and reflecting the higher cost of imported goods due to the depreciation of Sterling over the previous year. Bank of England governor Mark Carney cautioned that the effect of the weak pound would still be felt over the next two years, and with unemployment at its lowest level for over 40 years the emphasis had moved away from using monetary policy to support growth and employment, paving the way for a rate hike. The UK economy grew slightly faster than expected during the third quarter, driven by the services sector while there was an encouraging improvement in manufacturing activity after a disappointing second quarter.

As expected, the Bank of England Monetary Policy Committee (MPC) duly voted to increase the benchmark base rate to 0.5% in November, removing the emergency 0.25% rate cut announced in August 2016 in the wake of the EU referendum. The bank also commented that progress on Brexit negotiations, paving the way for talks to finally commence on trade matters, reduces the likelihood of a disorderly exit and should help to underpin both consumer and business confidence. Inflation ticked up to 3.1% year-on-year in November, breaching the upper limit of the bank's targeted range.

The preliminary estimate from the Office for National Statistics highlighted that the UK economy expanded by 0.5% during the fourth quarter of 2017, which was above expectations, driven by growth in the business services and manufacturing sectors. However, the latest consumer price index survey highlighted that

## **Manager's Investment Report continued**

UK inflation eased in December with the CPI increasing at an annualised rate of 3% in December, down from 3.1% in November.

### **Trust Review**

The Trust remains invested in a diverse range of high quality and liquid issues, incorporating the potential re-pricing of the money market curve to ensure liquidity of holdings.

### **Outlook**

There remains some uncertainty as to the UK economic outlook with sentiment indicators, such as the purchasing managers' indices and consumer confidence largely moving sideways. As far as Brexit negotiations are concerned, while the risk of 'no deal' scenario remains relatively high, the more likely outcome would see the UK negotiate an EEA-type long transition period. With the Chancellor having announced a slowdown in the pace of austerity in the Autumn budget, combined with the weaker medium-term growth outlook for the UK economy, the government now has less room for fiscal easing.

Regarding monetary policy, our central view is that a 0.25% hike in the base rate is probable in the next few months, with May likely to present an opportune moment. To move earlier might be viewed as indecent haste following the last rate increase. Another hike in November also seems to be on the cards given the persistently above-target inflation, although the state of play with the Brexit negotiations at that time could muddy the waters.

Legal & General Investment Management Limited  
(Investment Adviser)  
14 February 2018

## **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](http://www.legalandgeneral.com/investments/fund-information/managers-reports).

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

## **EU Savings Directive**

The Trust 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 Trust 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.

## **Minimum Investment Amounts**

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

R-Class	£500
I-Class	£1,000,000
L-Class	£100,000

In addition, monthly contributions can be made into the R-Class only, with a minimum amount of £50 per month.

L-Class is not available to retail customers and is intended only for investment by Legal & General group companies.

## **Other Information**

The information in this report is designed to enable unitholders to understand how the Trust 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 Trust can be obtained by telephoning 0370 050 0955 or by writing to the Manager.

## **Significant Changes**

### **Gross Distribution Payments**

We would like to make you aware of a 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, which started with the July 2017 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 have not deducted tax on any interest distributions and all payments are made gross.

It has 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.

### **Removal of Initial Commission**

With effect from 6 June 2017, initial commission will no longer be paid on the Trust. The initial commission was intended to reflect the costs incurred by the product provider and the intermediary for setting up and selling the business, however, Legal & General no longer consider it appropriate to continue to pay commission on such transactions.

**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**

Northern Trust Global Services Limited

50 Bank Street,

Canary Wharf,

London E14 5NT

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority

**Independent Auditors**

PricewaterhouseCoopers LLP

7 More London Riverside

London SE1 2RT



**Authorised and regulated by the  
Financial Conduct Authority**

Legal & General  
(Unit Trust Managers) Limited  
Registered in England and Wales No. 01009418  
Registered office:  
One Coleman Street,  
London EC2R 5AA  
[www.legalandgeneral.com](http://www.legalandgeneral.com)  
CAS0418

