

Q4 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 Future World Multi-Index 3 Fund

Unit Trust (NURS non-complex) C-Class GBP Acc



## WHAT'S THE STORY?

Despite the emergence of the latest Covid-19 variant, Omicron, the fourth quarter proved to be positive for risk assets. The quarter started amid a slight pullback in equities while further volatility came on news of the new variant in November; however, equities finished the year strongly on indications that Omicron is milder than previous variants. Policymakers grew increasingly worried about inflation over the period – it had previously been brushed off as transitory – and in December, the UK bit the bullet and raised interest rates. Meanwhile, the US now has three rate rises priced in for 2022.

Global REITs were the strongest performers over the quarter, benefiting from the higher inflation environment. Developed market equities performed well for the most part, with US equities topping the charts in local currency terms. The technology sector was a notable area of strength. Developed market government bonds were mostly flat on the quarter as Omicron concerns were offset by worries over rising inflation. In currencies, sterling appreciated versus its peers following the UK's December rate hike.

## PERFORMANCE (%)

12 months to 31 December	2021	2020	2019	2018	2017
Fund	3.63	-	-	-	-

Source: Lipper, LGIM as at 31 December 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.**

## FUND REVIEW

The fund delivered a positive return over the quarter, with key contributions coming from ESG-screened developed market equities and global REITs. There were no significant detractors.

We added exposure to some newly issued EU green bonds. We also slightly increased our existing exposure to sustainable bonds whilst reducing exposure to developed market sovereign bonds, as a means of enhancing the ESG profile of the fund without materially impacting its duration profile.

We also further diversified our exposure within sustainable Australian dollar-denominated bonds by adding a new bond issued by the International Finance Corporation.

We added exposure to listed green infrastructure, primarily by investing into a basket of companies that undertake renewable investment projects. We are always looking to enhance the ESG characteristics of the fund and saw this as a good way to achieve it.

We boosted our REIT exposure via the small additions of Assura REIT and Life Science REIT. REITs are a good way to gain exposure to the property sector; they are a mid-risk asset class with both bond-like and equity-like characteristics, as well as being a great diversifier. Assura aims to generate attractive financial and social returns by investing in, developing and managing high quality, sustainable medical centres that provide crucial infrastructure for their local health economy. Meanwhile, the Life Science REIT invests primarily in a diversified portfolio of UK properties that are leased or intended to be leased to tenants operating in the life science sector.

## OUTLOOK

We retain our positive view on risk assets in the medium term. We still prefer equities to credit given the current historically low credit spreads, and within equities, we prefer emerging to developed markets given the, in our opinion, excessive negative repricing we have seen in recent months. However, given the lack of clarity over where we are in the economic cycle due to the unique nature of the pandemic, we recently downgraded our economic outlook half a notch to 'marginally positive' to express this higher level of uncertainty. Despite this, we want to maintain a positive overall view on risk assets as we believe growth will remain above trend into the first half of 2022.

The emergence of the Omicron Covid-19 variant has made an already challenging forecasting environment even more difficult. We remain humble in our ability to predict the virus path, but our base case is another bump in the road on a gradual and an erratic path towards the world learning to live with the virus.

At the same time, inflation remains elevated. The latest virus developments have the potential to prolong the supply disruptions which were already proving more persistent than expected; a true dilemma for central banks. When this latest virus wave eventually passes, we continue to worry that central banks (especially the US Federal Reserve) will need to tighten policy faster and further to slow demand and control inflation in the medium term.

## FUND MANAGERS



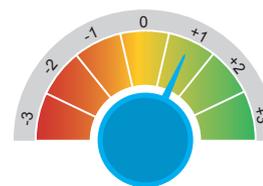
Justin Onuekwusi



Andrzej Pioch



Francis Chua



CORE VIEW ON RISK ASSETS  
POSITIVE



Economic cycle

Uncertainty on our position as we push further through the cycle



Valuations

Overall neutral but relative valuations backdrop has improved slightly



Systemic risk

Political and financial system resilient through COVID-19, but new risks are emerging

**RISK PROFILE CONFIRMATION STATEMENT**

The Risk Profile Volatility Band data is supplied by Dynamic Planner. Although this product has been designed with Dynamic Planner's model in mind – and these are the risk ratings we specifically target – the portfolios can be risk-mapped to different risk profilers. Dynamic Planner has assessed the Legal & General Future World Multi-Index 3 Fund and their analysis has indicated that the fund has remained in line with the fund risk profile 3 (as at 30 September 2021). ^Expected volatility (as at 31 December 2021) as calculated by LGIM using data provided by Dynamic Planner.

Multi-Index Fund range	DP risk profile volatility band	Expected volatility^
5	8.4 – 10.5	10.2
4	6.3 – 8.4	8.0
3	4.2 – 6.3	6.0

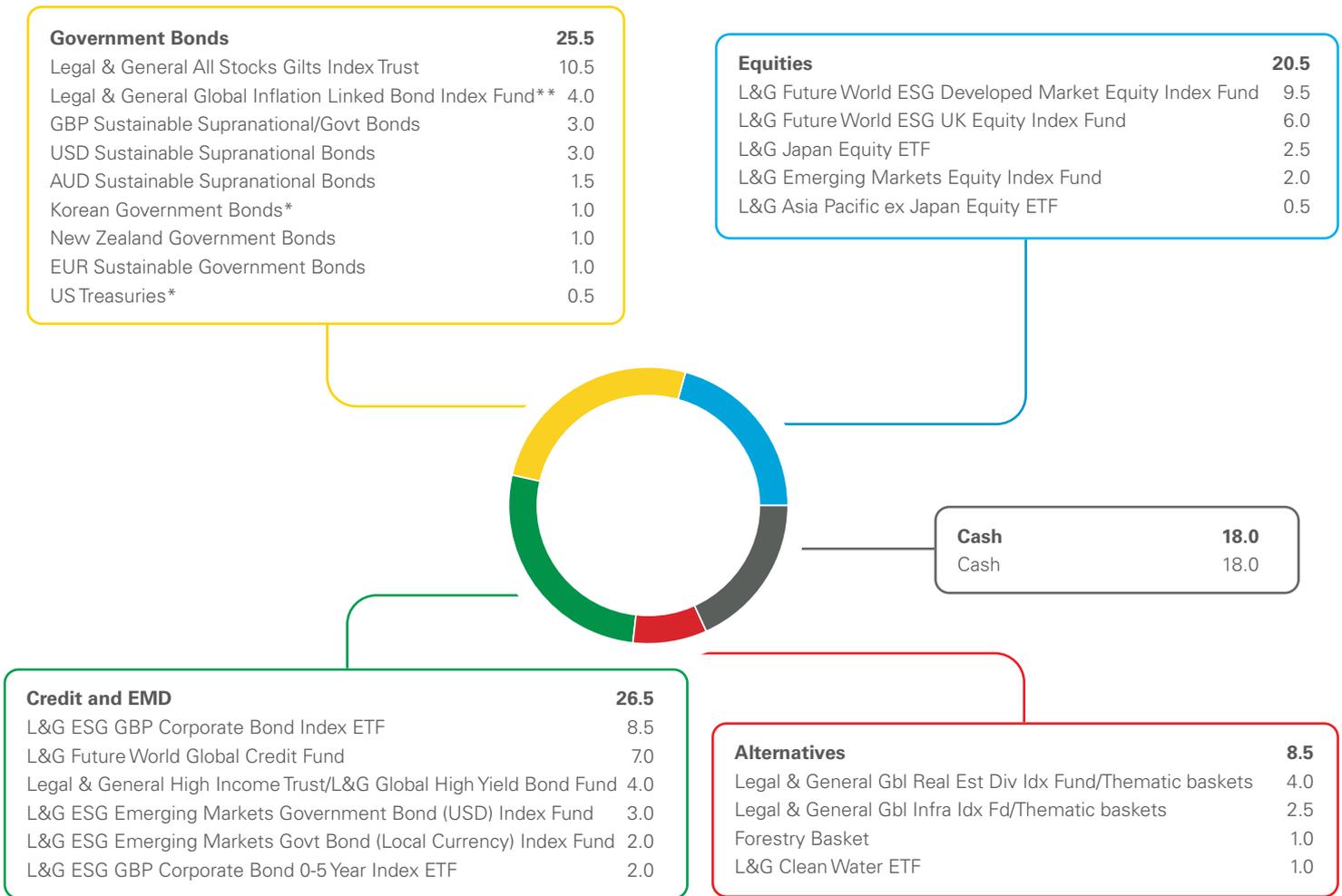
↑ Higher risk  
↓ Lower risk

**TARGET ASSET ALLOCATION BREAKDOWN**

All data source LGIM unless otherwise stated. Totals may not sum due to rounding. As at 31 December 2021.

\*Implemented through futures

\*\*Includes direct bonds



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Call **0345 070 8584**  
Charges may vary

Email **fundsales@lgim.com**

Visit **www.lgim.com/multi-index**

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