

UK-authorized unit trust

Fund owner: Legal & General

Fund manager/adviser: Legal & General

**Named portfolio manager/adviser(s):**

Alan Thein (since launch), Tim Gardner (since launch)

**Peer group:** Cautious Managed

**Location:** London

**Launch date:** April 2008

**Fund size (January 2011):** £207m

**Contact group:** 03700 500 955 (Retail) or [www.landgmultimanager.com](http://www.landgmultimanager.com)

Further information on S&P's fund coverage can be found at [www.FundsInsights.com](http://www.FundsInsights.com)



Report date March 2011

### Investment style

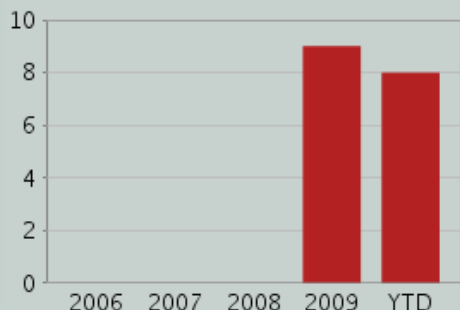
	Value	Blend	Growth
Large-Cap			
Mid-Cap			
Small-Cap			

### Performance statistics

	Launch
Fund	27.8%
Standard & Poor's peer median	10.2%
Fund rank	17/290

Note: returns are cumulative

### Calendar year decile ranks



Decile ranking in discrete annual periods. First decile shown as rank 10, second decile as rank nine, with tenth decile as rank one.

Performance Data Source - © 2010 Lipper Inc. All rights reserved. All statistical data on this report has been run to 31 December 2010 on NAV to NAV basis, with gross income reinvested, in GBP.

### Standard & Poor's opinion (March 2011)

Alan Thein and Tim Gardner have continued to add strength to their short yet solid track record. Since launching this range of funds-of-funds in April 2008, they have successfully weathered a variety of market conditions.

Thein and Gardner have 12 and 10 years' investment experience respectively and have worked together for 10 of these, first at Mercer Investment Consulting and then at L&G, latterly as co-founders and fund managers in the multi-manager business, which operates as an independent boutique within the group.

Unlike most peers in the sector, the approach combines active asset allocation and fund selection. Top-down views are generated internally. Selected external research is used to challenge views and prompt additional research. Interaction with managers is also a source of ideas. Portfolio construction is on conviction and with little benchmark awareness. Fund selection is a key step of the process and emphasises qualitative analysis of actively run funds which Thein and Gardner are prepared to back for the long term. Although the fund name refers to income, the managers are not targeting a specific yield and prefer to focus on providing capital growth with income.

The conviction-focused approach can lead to sizeable bets but, so far, diversification across a number of strategies - from more absolute return ones to investing in funds run in a more defensive fashion - has allowed returns to remain strong even when some key holdings have lagged.

The thorough approach, stable team and strong performance underpin the comfortable retention of the S&P A rating.

### Fund manager & team

Alan Thein and Tim Gardner co-founded the multi-manager operation within L&G. They act as a boutique and are not bound to follow any house views or invest in L&G funds. They can, however, call on L&G's support teams for risk and performance measurement purposes. The duo is currently responsible for three mandates worth a total of £500m and is supported by an investment analyst (Mireille Bensimon) and a business & operations analyst (Claire Lebsari).

Alan Thein - mathematics (Oxford University), actuary, started his career in 1998 at Mercer Investment Consulting. In 2004, he moved to Legal & General to set up the group's investment manager research unit. Thein co-founded L&G's multi-manager operation in April 2008 with Tim Gardner.

Tim Gardner - biochemistry (University of Birmingham), CFA, worked alongside Alan Thein as an investment consultant at Mercer from 2000. He joined L&G in January 2006 to work in the investment manager research unit before co-founding the group's multi-manager operation with Thein in 2008.

### Management style

The fund is run to provide capital growth with income and to outperform the IMA cautious managed sector through asset allocation and fund selection.

Top-down views are generated internally. Selected external research is used to challenge views and prompt additional research. Interaction with managers is also a source of ideas.

Fund selection targets onshore and offshore active managers. Consistent performance and process, and a clear remuneration structure are among the key elements assessed during in-depth qualitative meetings. A watch list of 80-100 funds covers all asset classes and styles. Funds are scored from one (for a holding) to four (for those where there has been a loss of conviction and need re-evaluation).

The 10-20 fund portfolio is built with little heed to the peer group. Aside from the constraints inherent in the IMA classification, risk controls are broad and limited to at least 20% in the UK, and up to 40% (on a see-through basis) in emerging markets. The minimum number of holdings is 10, with up to 20% in any given fund and 35% for a group. Unregulated vehicles can reach 20%. Annual turnover averages 20-30%.

# LEGAL & GENERAL MULTI MANAGER INCOME TRUST

UK-authorized unit trust

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Fund manager/adviser: Legal & General

# STANDARD & POOR'S



## Portfolio & performance analysis (January 2011)

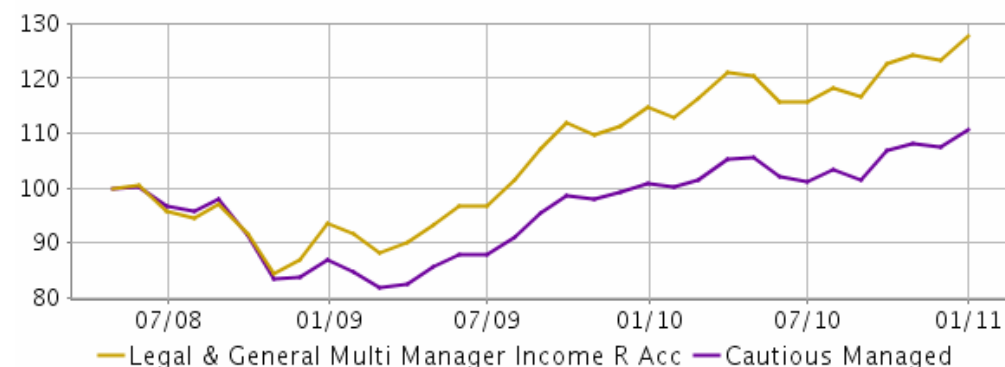
The fund has continued to perform strongly and is ranked top decile since launch. Over this period, the exposure to equities has been broadly stable at around 60% at a fund level. However, the mix of funds has changed. During the crisis, there was more of a defensive focus, with positions in Woodford's Income Fund and Gibbs' Financial Opportunities Fund. These contributed to the outperformance in 2008 and offset the underperformance from the overweight in emerging markets and Asia. The bias towards developing economies meant that the fund was well positioned in 2009.

The exposure to fixed income has been primarily through M&G Optimal Income, Invesco Corporate Bond and Invesco Perpetual Global Bond but a position in Investec Emerging Markets Debt fund was initiated at the end of 2009. Early in 2010 a new holding in GLG Alpha Select was established and the holding in Jupiter Financial Opportunities was switched into the more flexible Jupiter International Financials and later reduced to fund a new position in Investec Gold.

The fund retains a bias to emerging markets, although some profits were booked in Q4 2010. The fund has no direct exposure to the US (following the sale of Investec American) and Europe, although this is partly offset by holding Veritas Global Equity Income. Overall exposure to UK equities has remained around 20%, with 14% in income funds including Artemis Income and Invesco Perpetual High Income. Within emerging markets, there has been a switch out of Lazard and into Hexam.

The overweight in equities and the bias to emerging markets, Asia and commodities (gold and energy) were the main drivers of returns in 2010. Within fixed income, the preference for emerging markets debt helped. At the fund level, Lazard Emerging Markets, M&G Optimal Income and Henderson European Growth added value. In contrast, the underweight in the US and fund selection within UK equity income funds detracted, as did holding CF Morant Wright Japan and Investec American.

## Cumulative performance



## Discrete performance (calendar years)

	2009			YTD 31/12/2010		
	%	Rank	%	Rank	%	Rank
Fund	7.5	/	2.1	/	22.7	46/341
Median					16.1	9.6

Fund benchmark: IMA cautious managed sector

Share class screened: GB00B2Q4RV96 (Acc)

## Portfolio characteristics (1 January 2011)

No. of holdings	16
Turnover ratio (%)	N/A

## Currency breakdown

Not available	%
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## Asset allocation breakdown

Equity	60.5
North America	0.0
United Kingdom	17.3
Europe (ex UK)	0.0
Japan	0.0
Asia (ex Japan)	15.1
Global emerging markets	7.4
Others	20.7
Fixed interest	33.6
Govts/supranational	N/A
Corporate	N/A
ABS/MBS	N/A
Convertibles	N/A
Others & cash	N/A
Property	0.0
Alternatives/others	5.5
Cash	0.4

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## Symbols and definitions

### Long-only fund ratings

**AAA** The fund demonstrates the highest standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

**AA** The fund demonstrates very high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

**A** The fund demonstrates high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

### Fund-of-hedge-funds ratings

#### Absolute return fund ratings

#### Specialist fund ratings

**AAA** The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

**AA** The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

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### Ucits III flexible beta fund ratings

**AAA** The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.

**AA** The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.

**A** The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.

### All fund ratings

**Not Rated (NR)** Funds designated as Not Rated currently do not meet the requisite performance standards and/or the minimum qualitative criteria to achieve a fund rating.

**Under Review (UR)** Ratings are placed Under Review when significant management changes occur at the fund manager or fund management team level and Standard & Poor's Fund Services has not had the opportunity yet to evaluate their impact on the qualitative appraisal.

**(New)** Signifies where a major event has occurred for which there is no fund-specific track record available. This includes: funds recently launched, the implementation of a new investment process or mandate and may include structural changes within a fund team.

**Tenure Review (TR)** The fund manager/team involved in the management of the fund does not currently have the minimum 12 months' relevant investment management experience required to be eligible to be considered for a rating.

**Long-term fund management rating LTFMR** The fund has been rated in the A/AA/AAA fund rating band for five consecutive years or more, and continues to hold a rating.

### Bond fund volatility ratings

The bond fund volatility rating is our current opinion of a fund's sensitivity to changing market conditions. Volatility ratings evaluate the fund's sensitivity to interest rate movement, credit risk, investment diversification or concentration, liquidity, leverage and other factors. For V1-V4 categories, risk is considered relative to a portfolio composed of government securities and denominated in the base currency of the fund.

**V1** Bond funds that possess low sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within one to three years, and denominated in the base currency of the fund. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising the highest quality fixed income instruments with an average maturity of 12 months or less. Within this category, certain funds are designated with a plus sign (+), indicating extremely low sensitivity to changing market conditions.

**V2** Bond funds that possess low to moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within three to seven years, and denominated in the base currency of the fund.

**V3** Bond funds that possess moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within seven to 10 years, and denominated in the base currency of the fund.

**V4** Bond funds that possess moderate to high sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing beyond 10 years and denominated in the base currency of the fund.

**V5** Bond funds that possess high sensitivity to changing market conditions. These funds may be exposed to a variety of significant risks including high concentration risks, high leverage, and investments in complex structured and/or less liquid securities.

**V6** Bond funds that possess the highest sensitivity to changing market conditions. These funds include those with highly speculative investment strategies with multiple forms of significant risks, with little or no diversification benefits.

### Absolute return fund N ratings

The N rating is Standard & Poor's indication of a fund's potential capital stability in normal markets. It is a qualitative rating but is based on annualised weekly downside deviation. N1 is the most stable and N9 the least.