

Legal & General Dynamic Bond Fund  
**Annual Manager's Report**  
for the year ended  
**5 September 2018**

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\* These collectively comprise the Authorised Fund Manager's Report.

# Manager's Investment Report

## Investment Objective and Policy

With effect from 9 July 2018, the Fund's Investment Objective and Policy has changed (please see Significant Changes section on page 59).

### Prior to 9 July 2018

The investment objective of this Fund is to achieve growth of capital and income by investing principally in a range of fixed and variable rate income securities.

The Fund will have a wide discretionary (unconstrained) approach to asset allocation and may invest in Investment Grade and sub-Investment Grade securities with a credit rating from a recognised credit rating service or which are listed or traded in an OECD country.

A significant proportion (90%) of the Fund's exposure to non-Sterling denominated holdings will be hedged into Sterling.

While the Fund will generally seek to invest principally in a combination of income securities and their derivatives (including credit default swaps and other Over the Counter (OTC) instruments), it may also invest in any or all of the following: collective investment schemes, equities, other transferable securities, money market instruments/cash, near cash and deposits. At times, the Fund may invest in cash, near cash and/or deposits up to 100% and have derivatives exposures of up to 100% of the Fund's assets.

### From 9 July 2018

The Fund may invest in investment grade and sub-investment grade fixed income securities with a credit rating from a recognised credit rating service or which are listed or traded in an OECD Country. The Fund will have a net exposure of at least 80% to Sterling.

The Fund may also use a variety of derivative transactions for both investment purposes and efficient portfolio management. Where considered in the interests of investors, derivatives may be used to synthetically alter the characteristic of the fixed income securities, such as to protect against credit and duration risk. The types of derivatives used include credit default swaps, interest rate swaps, foreign exchange and other Over the Counter (OTC) instruments as well as exchange traded instruments including futures and options. The use of derivatives for these purposes may be extensive and may affect the volatility or risk profile of the Fund although this is not the intention.

The Fund may also invest in transferable securities, such as equities, asset and mortgage backed securities and loans; regulated collective investment schemes; money market instruments; cash; near cash and deposits. The collective investment schemes in which the Fund may invest in may include schemes which are managed or operated by, or whose authorised corporate director is, the Manager or one of its associates.

## Manager's Investment Report

During the year under review, the bid price of the Fund's R-Class accumulation units fell by 2.25%. This compares to a fall in the iBoxx Sterling Non-Gilts Index of 1.25% (Source: Bloomberg).

**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.**

**Exchange rate changes may cause the value of any overseas investments to rise or fall.**

# Manager's Investment Report continued

## Market/Economic Review

The major international bond markets struggled to make headway as central banks continued to withdraw the extraordinary monetary support that has been in place since the global financial crisis. With global economic growth accelerating, expectations of rising inflation have also held back the performance of bonds, although as equity markets became more volatile as the year progressed there was some rotation back into fixed income assets.

The US Federal Reserve (Fed) raised interest rates by 0.25% in March and again in June, with investors discounting the prospect of two further rate hikes in 2018. The Fed also continued unwinding its asset purchase programme, known as quantitative easing (QE). Although the European Central Bank (ECB) announced it would cease its QE programme at the end of 2018, the ECB has reassured investors that it would not raise interest rates at least until mid-2019.

With spreads widening and relatively modest moves in underlying developed market government bond yields, global corporate bonds delivered negative total returns. US Dollar high yield bonds proved more resilient, given the ongoing strength in the American economy. However, emerging market bonds were volatile, as a rise in the value of the US Dollar, concerns about higher US interest rates and the escalating trade tensions between the US and China all combined to put pressure on the asset class.

## Fund Review

The Fund delivered negative returns over the review year. There were two key factors that have resulted in the underperformance given our relatively short duration stance: the rally in UK gilt prices, and the rally in German bund prices. Emerging market debt positions also underperformed given the rise in trade tensions between the US and China. However, our long position in the US Dollar was beneficial for performance.

In terms of portfolio positioning, we maintained our core theme: defensive positioning with over 25% held in cash and government bonds. We retain holdings across developed world investment grade credit, global high yield bonds, as well as hard currency emerging market debt. However, we hold reduced duration risk and retain single name short positions against highly leveraged companies that we believe have vulnerable business models. We are also positioned to benefit from further strength in the US Dollar, in particular versus emerging market currencies such as the Chinese Yuan and Mexican Peso.

We continue to prefer US high yield and US investment grade credit as strong earnings, larger corporate cash balances, supportive domestic economic growth and continued positive momentum from tax reform have supported US spreads. In rates markets, Australia's economy continues to show signs of weakening and the Fund benefited from falling Australian yields.

## Manager's Investment Report continued

### Outlook

Looking ahead, strong US economic data should encourage further US monetary policy tightening, which in turn is likely to keep pressure on international US Dollar borrowers, particularly across emerging markets. Other developed market central banks, notably the ECB, are also expected to gradually withdraw policy support.

The technical backdrop for corporate bond markets can often be difficult at this time of year as issuance accelerates, and we will also see the political cycle hot up with the Italian budget and US/China trade negotiations coming to the fore. With this backdrop in mind, we remain cautiously positioned.

Legal & General Investment Management Limited  
(Investment Adviser)  
27 September 2018

## Authorised Status

### Authorised Status

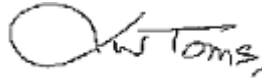
This Fund is an Authorised Unit Trust Scheme as defined in section 243 of the Financial Services and Markets Act 2000 and is a UCITS Retail Scheme within the meaning of the FCA Collective Investment Schemes sourcebook.

### Directors' Statement

We hereby certify that this Manager's Report has been prepared in accordance with the requirements of the FCA Collective Investment Schemes sourcebook.



A. J. C. Craven  
(Director)



L. W. Toms  
(Director)

Legal & General (Unit Trust Managers) Limited  
25 October 2018

## Statement of Responsibilities

### Statement of the Manager's Responsibilities

The Collective Investment Schemes sourcebook published by the FCA, ("the COLL Rules") require the Manager to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Fund and of the net income and net gains or losses on the property of the Fund for the period.

In preparing the financial statements, the Manager is responsible for:

- selecting suitable accounting policies and then apply them consistently;
- making judgements and estimates that are reasonable and prudent;
- following UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland;
- complying with the disclosure requirements of the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014;
- keeping proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements;
- assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless they either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so;
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- taking reasonable steps for the prevention and detection of fraud and irregularities.

The Manager is responsible for the management of the Fund in accordance with its Trust Deed, the Prospectus and the COLL Rules.



## Statement of Responsibilities continued

### Statement of the Trustee's Responsibilities

The Depositary in its capacity as Trustee of Legal & General Dynamic Bond Fund must ensure that the Fund is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Trust Deed and Prospectus (together "the Scheme documents") as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Fund and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Fund in accordance with the Regulations.

The Depositary must ensure that:

- the Fund's cash flows are properly monitored and that cash of the Fund is booked in cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of units are carried out in accordance with the Regulations;
- the value of units of the Fund are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Fund's assets is remitted to the Fund within the usual time limits;
- the Fund's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ("the AFM"), which is the UCITS Management Company, are carried out (unless they conflict with the Regulations).

## Report of the Trustee

### **Report of the Trustee to the Unitholders of the Legal & General Dynamic Bond Fund ("the Fund") for the year ended 5 September 2018**

The Depositary also has a duty to take reasonable care to ensure that the Fund is managed in accordance with the Regulations and the Scheme documents of the Fund in relation to the investment and borrowing powers applicable to the Fund.

Having carried out such procedures as we considered necessary to discharge our responsibilities as Depositary of the Fund, it is our opinion, based on the information available to us and the explanations provided, that, in all material respects the Fund, acting through the AFM:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Fund's units and the application of the Fund's income in accordance with the Regulations and the Scheme documents of the Fund; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Fund in accordance with the Regulations and the Scheme documents of the Fund.

Northern Trust Global Services PLC  
UK Trustee and Depositary Services  
25 October 2018

## Portfolio Statement

### Portfolio Statement as at 5 September 2018

All investments are in investment grade securities or collective investment schemes unless otherwise stated. The percentages in brackets show the equivalent holdings at 5 September 2017.

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
<b>CORPORATE BONDS</b>			
<b>— 56.16% (76.31%)</b>			
<b>UNITED KINGDOM — 6.58% (6.03%)</b>			
USD1,500,000	Algeco Scotsman Global Finance 10% 15/08/2023 <sup>1</sup>	1,179,918	0.37
GBP1,800,000	Barclays 5.875% Open Maturity <sup>1</sup>	1,719,000	0.54
USD2,640,000	Barclays 7.75% Open Maturity <sup>1</sup>	2,052,225	0.65
USD800,000	Biz Finance 9.625% 27/04/2022 <sup>1</sup>	620,807	0.20
GBP1,500,000	Close Brothers Group 2.75% 26/04/2023	1,501,947	0.48
GBP3,500,000	Cognita Financing 7.75% 15/08/2021 <sup>1</sup>	3,570,000	1.13
GBP1,894,000	Connect Plus M25 Issuer 2.607% 31/03/2039	1,903,394	0.60
USD250,000	Ferrexpo Finance 10.375% 07/04/2019 <sup>1</sup>	197,617	0.06
USD1,500,000	ICBC Standard Bank 8.125% 02/12/2019	1,208,843	0.38
USD250,000	Tullow Oil 6.25% 15/04/2022 <sup>1</sup>	190,869	0.06
USD1,100,000	Vedanta Resources 8.25% 07/06/2021 <sup>1</sup>	863,577	0.27
GBP3,500,000	Virgin Money Holdings UK 3.375% 24/04/2026	3,463,383	1.10
GBP2,325,000	Vougeot Bidco 7.875% 15/07/2020 <sup>1</sup>	2,330,231	0.74
		<b>20,801,811</b>	<b>6.58</b>
<b>IRELAND — 0.38% (1.85%)</b>			
USD1,600,000	GPB Eurobond Finance 7.496% 28/12/2023 <sup>1</sup>	1,195,897	0.38
<b>CHANNEL ISLANDS — 1.22% (1.31%)</b>			
GBP1,784,000	Hastings Group Finance 3% 24/05/2025	1,768,807	0.56
GBP2,000,000	TVL Finance 8.5% 15/05/2023 <sup>1</sup>	2,099,840	0.66
		<b>3,868,647</b>	<b>1.22</b>
<b>CONTINENTAL EUROPE</b>			
<b>— 10.52% (20.20%)</b>			
<b>Belgium — 0.00% (0.08%)</b>			
<b>France — 3.17% (1.61%)</b>			
EUR3,800,000	CMA CGM 5.25% 15/01/2025 <sup>1</sup>	2,930,202	0.93
GBP2,700,000	Electricite de France 5.875% Open Maturity	2,677,207	0.84
GBP1,300,000	Electricite de France 6% Open Maturity	1,327,868	0.42
USD2,000,000	La Mondiale 4.8% 18/01/2048	1,355,666	0.43

## Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	<b>France — (cont.)</b>		
USD2,300,000	Societe Generale 6% Open Maturity <sup>1</sup>	1,733,803	0.55
		10,024,746	3.17
	<b>Georgia — 0.16% (0.00%)</b>		
USD400,000	Bank of Georgia JSC 6% 26/07/2023 <sup>1</sup>	301,109	0.10
USD250,000	Georgian Oil & Gas 6.75% 26/04/2021 <sup>1</sup>	197,082	0.06
		498,191	0.16
	<b>Italy — 1.14% (3.42%)</b>		
EUR2,700,000	CMF 9% 15/06/2022 <sup>1</sup>	2,226,827	0.71
EUR2,000,000	Cooperativa Muratori & Cementisti-CMC di Ravenna 6% 15/02/2023 <sup>1</sup>	1,371,596	0.43
		3,598,423	1.14
	<b>Luxembourg — 0.00% (4.62%)</b>		
	<b>Netherlands — 2.07% (5.14%)</b>		
USD3,000,000	Braskem Netherlands Finance 4.5% 10/01/2028	2,102,452	0.67
USD1,600,000	ING Groep 6.875% Open Maturity	1,255,105	0.40
USD450,000	Petrobras Global Finance 8.375% 23/05/2021 <sup>1</sup>	376,463	0.12
USD3,000,000	Petrobras Global Finance 7.25% 17/03/2044 <sup>1</sup>	2,097,016	0.66
USD993,000	Syngenta Finance 5.676% 24/04/2048	699,767	0.22
		6,530,803	2.07
	<b>Portugal — 0.00% (0.72%)</b>		
	<b>Spain — 1.30% (1.98%)</b>		
EUR2,500,000	Banco Santander 6.25% Open Maturity <sup>1</sup>	2,254,774	0.71
EUR1,000,000	Bankia 6% Open Maturity <sup>1</sup>	905,432	0.29
EUR1,000,000	CaixaBank 6.75% Open Maturity <sup>1</sup>	965,740	0.30
		4,125,946	1.30
	<b>Sweden — 2.45% (1.65%)</b>		
EUR3,900,000	Corral Petroleum 11.75% 15/05/2021 <sup>1</sup>	3,807,424	1.20
USD1,800,000	Nordea Bank 6.125% Open Maturity	1,362,112	0.43
USD3,203,000	Perstorp 8.5% 30/06/2021 <sup>1</sup>	2,587,447	0.82
		7,756,983	2.45
	<b>Switzerland — 0.23% (0.98%)</b>		
USD1,100,000	UBS Group Funding Switzerland 5% Open Maturity	732,537	0.23
	<b>NORTH AMERICA — 31.15% (35.90%)</b>		
	<b>British Virgin Islands — 0.32% (0.84%)</b>		
USD1,100,000	Franshion 3.6% 03/03/2022	817,141	0.26

## Portfolio Statement continued

<b>Holding/ Nominal Value</b>	<b>Investment</b>	<b>Market Value £</b>	<b>% of Net Assets</b>
	<b>British Virgin Islands — (cont.)</b>		
USD250,000	Gold Fields Orogen 4.875% 07/10/2020	191,881	0.06
		<b>1,009,022</b>	<b>0.32</b>
	<b>Canada — 2.36% (1.73%)</b>		
USD5,000,000	Bombardier 7.5% 15/03/2025 <sup>1</sup>	3,973,934	1.25
USD3,010,000	Bombardier 7.45% 01/05/2034 <sup>1</sup>	2,338,686	0.74
USD1,600,000	NOVA Chemicals 5.25% 01/06/2027	1,166,037	0.37
		<b>7,478,657</b>	<b>2.36</b>
	<b>Cayman Islands — 2.63% (1.11%)</b>		
USD1,000,000	Agromercantil Senior Trust 6.25% 10/04/2019 <sup>1</sup>	780,154	0.25
USD1,000,000	Alpha Star 4.97% 09/04/2019 <sup>1</sup>	769,412	0.24
USD1,000,000	China Evergrande 7% 23/03/2020 <sup>1</sup>	767,397	0.24
USD4,000,000	China Evergrande 8.75% 28/06/2025 <sup>1</sup>	2,759,901	0.87
USD300,000	Fufeng Group 5.875% 28/08/2021	231,672	0.07
USD2,500,000	Gol Finance 7% 31/01/2025 <sup>1</sup>	1,585,775	0.50
USD500,000	Powerlong Real Estate 6.95% 17/04/2021 <sup>1</sup>	360,531	0.12
USD1,000,000	SPARC EM SPC Panama 0% 05/12/2022	699,854	0.22
USD500,000	Times China 6.25% 17/01/2021 <sup>1</sup>	368,127	0.12
		<b>8,322,823</b>	<b>2.63</b>
	<b>Costa Rica — 0.60% (1.82%)</b>		
USD2,412,775	Autopistas del Sol 7.375% 30/12/2030 <sup>1</sup>	1,897,918	0.60
	<b>Mexico — 1.03% (3.04%)</b>		
USD500,000	Comision Federal de Electricidad 4.875% 26/05/2021	393,306	0.12
USD1,300,000	IXE Banco 9.25% 14/10/2020 <sup>1</sup>	1,092,042	0.35
USD2,500,000	Petroleos Mexicano 6.75% 21/09/2047	1,759,813	0.56
		<b>3,245,161</b>	<b>1.03</b>
	<b>Panama — 0.49% (0.33%)</b>		
USD450,000	Banistmo 3.65% 19/09/2022	332,719	0.10
USD1,600,000	Global Bank 4.5% 20/10/2021	1,221,686	0.39
		<b>1,554,405</b>	<b>0.49</b>
	<b>United States — 23.72% (27.03%)</b>		
USD2,005,000	American Water Capital 4.2% 01/09/2048 <sup>2</sup>	1,527,562	0.48
USD3,900,000	Andeavor Logistics 6.875% Open Maturity <sup>1</sup>	3,014,402	0.95
USD2,432,000	Bank of America 4.271% 23/07/2029	1,882,280	0.60
USD1,000,000	Bausch Health Companies 8.5% 31/01/2027 <sup>1</sup>	788,540	0.25
USD1,500,000	Beazer Homes USA 8.75% 15/03/2022 <sup>1</sup>	1,222,939	0.39
USD3,000,000	Calpine 5.25% 01/06/2026 <sup>1</sup>	2,168,967	0.69

## Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
<b>United States — (cont.)</b>			
USD1,700,000	Capital One 1.85% 13/09/2019	1,296,886	0.41
USD1,700,000	Caterpillar Financial Services 2.1% 09/06/2019	1,305,278	0.41
USD3,000,000	Charter Communications Operating 6.834% 23/10/2055	2,520,037	0.80
USD4,000,000	Chemours 5.375% 15/05/2027 <sup>1</sup>	3,015,347	0.95
USD6,740,000	Cheniere Corpus Christi 5.125% 30/06/2027 <sup>1</sup>	5,276,817	1.67
USD5,870,000	Diamond Finance Corporation 8.35% 15/07/2046	5,510,349	1.74
USD3,400,000	Embarq 7.995% 01/06/2036 <sup>1</sup>	2,563,045	0.81
USD1,700,000	Ford Motor Credit Company 1.897% 12/08/2019	1,293,568	0.41
USD1,700,000	General Motors Financial 2.35% 04/10/2019	1,302,459	0.41
USD1,900,000	Golden Nugget 6.75% 15/10/2024 <sup>1</sup>	1,489,068	0.47
USD2,500,000	Golden Nugget 8.75% 01/10/2025 <sup>1</sup>	2,019,550	0.64
GBP3,178,000	Goldman Sachs 3.125% 25/07/2029	3,121,428	0.99
USD2,300,000	JPW Industries 9% 01/10/2024 <sup>1</sup>	1,800,339	0.57
USD2,000,000	L Brands 6.75% 01/07/2036 <sup>1</sup>	1,249,325	0.40
USD3,000,000	L Brands 7.6% 15/07/2037 <sup>1</sup>	1,937,611	0.61
USD1,700,000	Morgan Stanley 2.375% 23/07/2019	1,306,187	0.41
USD4,800,000	Murphy Oil 5.125% 01/12/2042	3,298,844	1.04
USD4,400,000	Netflix 4.375% 15/11/2026 <sup>1</sup>	3,215,084	1.02
USD640,000	Norfolk Southern 5.1% 01/08/2118	484,710	0.15
USD1,600,000	Plains All American Pipeline 6.125% Open Maturity <sup>1</sup>	1,203,054	0.38
USD1,800,000	Rinker Materials 7.7% 21/07/2025 <sup>1</sup>	1,575,538	0.50
USD2,000,000	Sally 5.625% 01/12/2025 <sup>1</sup>	1,426,699	0.45
USD1,600,000	Sprint 7.625% 01/03/2026 <sup>1</sup>	1,295,596	0.41
EUR3,000,000	Superior Industries International 6% 15/06/2025 <sup>1</sup>	2,703,658	0.85
USD1,600,000	TransDigm 6.375% 15/06/2026 <sup>1</sup>	1,243,156	0.39
USD2,100,000	United States Steel 6.25% 15/03/2026 <sup>1</sup>	1,607,349	0.51
USD1,436,000	United Technologies 3.95% 16/08/2025	1,110,159	0.35
USD4,000,000	US Cellular 6.7% 15/12/2033 <sup>1</sup>	3,150,305	1.00
USD2,000,000	Viacom 6.875% 30/04/2036	1,733,417	0.55
USD3,000,000	VMware 3.9% 21/08/2027	2,183,330	0.69
USD1,600,000	William Lyon Homes 5.875% 31/01/2025 <sup>1</sup>	1,159,867	0.37
		<b>75,002,750</b>	<b>23.72</b>
<b>SOUTH AMERICA — 1.44% (5.63%)</b>			
<b>Argentina — 0.94% (2.26%)</b>			
USD1,000,000	Banco Hipotecario 9.75% 30/11/2020 <sup>1</sup>	743,426	0.24
USD1,500,000	YPF 8.5% 23/03/2021 <sup>1</sup>	1,107,619	0.35
USD2,000,000	YPF 7% 15/12/2047 <sup>1</sup>	1,118,223	0.35
		<b>2,969,268</b>	<b>0.94</b>

## Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	<b>Brazil — 0.13% (2.01%)</b>		
USD550,000	Centrais Eletricas Brasileiras 5.75% 27/10/2021 <sup>1</sup>	416,735	0.13
	<b>Colombia — 0.37% (0.00%)</b>		
USD500,000	Grupo de Inversiones Suramericana 5.7% 18/05/2021	401,504	0.12
USD1,000,000	Transportadora de Gas Internacional 5.7% 20/03/2022	781,800	0.25
		1,183,304	0.37
	<b>Paraguay — 0.00% (0.26%)</b>		
	<b>Peru — 0.00% (1.10%)</b>		
	<b>AFRICA — 0.37% (0.16%)</b>		
	<b>Nigeria — 0.37% (0.16%)</b>		
USD500,000	Access Bank 9.25% 24/06/2021 <sup>1</sup>	384,191	0.12
USD1,000,000	Zenith Bank 6.25% 22/04/2019 <sup>1</sup>	772,538	0.25
		1,156,729	0.37
	<b>ASIA — 3.33% (3.42%)</b>		
	<b>Hong Kong — 0.31% (0.00%)</b>		
USD1,250,000	CNAC HK Finbridge 4.125% 14/03/2021	962,663	0.31
	<b>India — 0.25% (0.13%)</b>		
USD500,000	Adani Ports & Special Economic Zone 3.5% 29/07/2020	381,057	0.12
USD550,000	JSW Steel 4.75% 12/11/2019 <sup>1</sup>	422,135	0.13
		803,192	0.25
	<b>Indonesia — 0.13% (0.00%)</b>		
USD500,000	Perusahaan Listrik Negara 5.5% 22/11/2021	400,054	0.13
	<b>Japan — 2.25% (2.60%)</b>		
USD5,500,000	Softbank 6% 30/07/2025 <sup>1</sup>	4,347,235	1.37
USD4,000,000	Softbank 6.875% Open Maturity <sup>1</sup>	2,780,289	0.88
		7,127,524	2.25
	<b>Sri Lanka — 0.39% (0.69%)</b>		
USD1,600,000	National Savings Bank 8.875% 18/09/2018 <sup>1</sup>	1,231,927	0.39
	<b>MIDDLE EAST — 0.28% (1.17%)</b>		
	<b>Turkey — 0.28% (1.17%)</b>		
USD1,100,000	KOC 3.5% 24/04/2020 <sup>1</sup>	780,476	0.25
USD200,000	Turkiye Vakiflar Bankasi 6% 01/11/2022 <sup>1</sup>	94,901	0.03
		875,377	0.28
	<b>SUPRANATIONAL — 0.89% (0.64%)</b>		
USD500,000	Africa Finance Corporation 4.375% 29/04/2020	385,722	0.12
USD500,000	African Export-Import Bank 4% 24/05/2021	384,144	0.12
USD1,600,000	Banque Ouest Africaine de Developpement 5.5% 06/05/2021	1,263,453	0.40

## Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	<b>SUPRANATIONAL — (cont.)</b>		
USD1,000,000	Eastern & Southern African Trade & Development Bank 6.375% 06/12/2018	769,261	0.25
		2,802,580	0.89
	<b>GOVERNMENT BONDS — 25.43% (7.10%)</b>		
	<b>UNITED KINGDOM — 21.48% (0.00%)</b>		
GBP7,000,000	United Kingdom Treasury Bill 0% 17/09/2018	6,998,495	2.21
GBP15,000,000	United Kingdom Treasury Bill 0% 01/10/2018	14,992,245	4.74
GBP3,000,000	United Kingdom Treasury Bill 0% 08/10/2018	2,997,999	0.95
GBP7,000,000	United Kingdom Treasury Bill 0% 15/10/2018	6,994,274	2.21
GBP13,000,000	United Kingdom Treasury Bill 0% 22/10/2018	12,987,416	4.11
GBP13,000,000	United Kingdom Treasury Bill 0% 05/11/2018	12,983,360	4.10
GBP10,000,000	United Kingdom Treasury Bill 0% 12/11/2018	9,985,680	3.16
		67,939,469	21.48
	<b>CONTINENTAL EUROPE — 0.14% (0.19%)</b>		
	<b>Netherlands — 0.02% (0.00%)</b>		
USD77,000	Northern Lights III 7% 17/08/2019 <sup>1</sup>	59,683	0.02
	<b>Ukraine — 0.12% (0.19%)</b>		
USD500,000	Ukraine Government International Bond 7.75% 01/09/2020 <sup>1</sup>	382,000	0.12
	<b>NORTH AMERICA — 0.78% (0.13%)</b>		
	<b>Honduras — 0.32% (0.13%)</b>		
USD1,200,000	Honduras Government International Bond 8.75% 16/12/2020 <sup>1</sup>	1,007,067	0.32
	<b>United States — 0.46% (0.00%)</b>		
USD1,945,000	United States Treasury Bond 3% 15/02/2048	1,477,932	0.46
	<b>SOUTH AMERICA — 1.82% (4.73%)</b>		
	<b>Argentina — 1.82% (3.90%)</b>		
USD2,200,000	Buenos Aires (City of) 9.95% 09/06/2021 <sup>1</sup>	1,544,259	0.49
USD1,550,000	Buenos Aires (City of) 7.875% 15/06/2027 <sup>1</sup>	836,739	0.27
USD2,000,000	Cordoba (City of) 7.125% 10/06/2021 <sup>1</sup>	1,311,036	0.41
USD1,700,000	Mendoza (City of) 8.375% 19/05/2024 <sup>1</sup>	1,045,539	0.33
USD1,800,000	Neuquen (City of) 7.5% 27/04/2025 <sup>1</sup>	1,010,440	0.32
		5,748,013	1.82
	<b>Ecuador — 0.00% (0.83%)</b>		



## Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	<b>AFRICA — 0.69% (0.75%)</b>		
	<b>Egypt — 0.31% (0.26%)</b>		
USD200,000	Egypt Government International Bond 5.75% 29/04/2020 <sup>1</sup>	155,728	0.05
USD1,100,000	Egypt Government International Bond 6.125% 31/01/2022 <sup>1</sup>	832,783	0.26
		988,511	0.31
	<b>Kenya — 0.00% (0.26%)</b>		
	<b>Nigeria — 0.38% (0.23%)</b>		
USD1,500,000	Nigeria Government International Bond 6.75% 28/01/2021 <sup>1</sup>	1,181,422	0.38
	<b>ASIA — 0.52% (1.07%)</b>		
	<b>Armenia — 0.00% (0.14%)</b>		
	<b>Pakistan — 0.27% (0.67%)</b>		
USD1,100,000	Pakistan Government International Bond 7.25% 15/04/2019 <sup>1</sup>	842,140	0.27
	<b>Sri Lanka — 0.25% (0.26%)</b>		
USD550,000	Sri Lanka Government International Bond 5.125% 11/04/2019 <sup>1</sup>	422,080	0.13
USD500,000	Sri Lanka Government International Bond 5.75% 18/01/2022 <sup>1</sup>	379,525	0.12
		801,605	0.25
	<b>MIDDLE EAST — 0.00% (0.23%)</b>		
	<b>Lebanon — 0.00% (0.23%)</b>		
	<b>FUNDS INVESTED IN INTEREST BEARING SECURITIES — 6.81% (9.99%)</b>		
44,744,804	Legal & General High Income Trust 'R' Inc	21,531,199	6.81
	<b>OPTIONS — 0.53% (0.05%)</b>		
1,600	100 Put on EURO STOXX Banks Index Expiry 21/12/2018	193,637	0.06
1,800	135 Call on EURO STOXX Banks Index Expiry 20/12/2019	88,750	0.03
2,850	135 Call on EURO STOXX Banks Index Expiry 21/12/2018	12,775	—
(42)	1450 Put on Russell 2000 Index Expiry 31/10/2018	(9,798)	—
60	1550 Put on Russell 2000 Index Expiry 31/10/2018	27,300	0.01
25	2750 Put on S&P 500 Index Expiry 31/12/2018	83,192	0.03
180	440 Put on STOXX Europe 600 Basic Resources Index Expiry 21/12/2018	265,444	0.08
147	450 Put on STOXX Europe 600 Basic Resources Index Expiry 21/09/2018	174,610	0.05
425	560 Put on STOXX Europe 600 Automobile & Parts Index Expiry 21/12/2018	878,202	0.28

## Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
<b>OPTIONS — (cont.)</b>			
(1,600)	80 Put on EURO STOXX Banks Index Expiry 21/12/2018	(25,101)	(0.01)
		1,689,011	0.53
<b>FORWARD CURRENCY CONTRACTS</b>			
<b>— -0.10% (0.36%)</b>			
GBP(1,125,012)	Sold Sterling		
AUD2,000,000	for Australian Dollar (Expires 27/09/2018) <sup>3</sup>	(17,251)	—
USD(1,749,576)	Sold US Dollars		
EUR1,500,000	for Euro (Expires 27/09/2018) <sup>3</sup>	(2,374)	—
GBP(8,024,427)	Sold Sterling		
EUR9,000,000	for Euro (Expires 27/09/2018) <sup>3</sup>	49,569	0.02
AUD(6,000,000)	Sold Australian Dollar		
GBP3,375,705	for Sterling (Expires 27/09/2018) <sup>3</sup>	52,420	0.02
THB(4,790,000)	Sold Thai Bhat		
GBP109,440	for Sterling (Expires 27/09/2018) <sup>3</sup>	(3,137)	—
JPY(400,000,000)	Sold Japanese Yen		
GBP2,745,051	for Sterling (Expires 27/09/2018) <sup>3</sup>	(17,516)	(0.01)
NZD(200,000)	Sold New Zealand Dollar		
GBP103,414	for Sterling (Expires 27/09/2018) <sup>3</sup>	2,004	—
ZAR(14,000,000)	Sold South African Rand		
GBP780,409	for Sterling (Expires 27/09/2018) <sup>3</sup>	85,436	0.03
CAD(200,000)	Sold Canadian Dollar		
GBP115,691	for Sterling (Expires 27/09/2018) <sup>3</sup>	(1,321)	—
EUR(27,000,000)	Sold Euro		
GBP24,111,432	for Sterling (Expires 27/09/2018) <sup>3</sup>	(110,555)	(0.03)
USD(234,000,000)	Sold US Dollars		
GBP177,843,408	for Sterling (Expires 27/09/2018) <sup>3</sup>	(2,452,531)	(0.78)
MXN(13,000,000)	Sold Mexican Peso		
GBP520,862	for Sterling (Expires 28/09/2018) <sup>3</sup>	8,070	—
GBP(1,036,334)	Sold Sterling		
JPY150,000,000	for Japanese Yen (Expires 27/09/2018) <sup>3</sup>	(371)	—
USD(24,580,000)	Sold US Dollars		
JPY2,764,891,132	for Japanese Yen (Expires 28/09/2018) <sup>3</sup>	158,192	0.05
GBP(2,558,687)	Sold Sterling		
JPY373,000,000	for Japanese Yen (Expires 28/09/2018) <sup>3</sup>	17,491	0.01
USD(500,000)	Sold US Dollars		
MXN9,346,172	for Mexican Peso (Expires 27/09/2018) <sup>3</sup>	(16,504)	—
GBP(357,710)	Sold Sterling		
RUB29,900,000	for Russian Ruble (Expires 28/09/2018) <sup>3</sup>	(21,361)	(0.01)
GBP(109,316)	Sold Sterling		
THB4,790,000	for Thai Bhat (Expires 28/09/2018) <sup>3</sup>	3,259	—
GBP(275,170)	Sold Sterling		
TRY1,800,000	for Turkish Lira (Expires 28/09/2018) <sup>3</sup>	(69,186)	(0.02)
GBP(1,533,853)	Sold Sterling		
USD2,000,000	for US Dollars (Expires 27/09/2018) <sup>3</sup>	7,138	—
JPY(154,872,740)	Sold Japanese Yen		
USD1,400,000	for US Dollars (Expires 27/09/2018) <sup>3</sup>	9,078	—
EUR(346,319)	Sold Euro		
USD400,000	for US Dollars (Expires 27/09/2018) <sup>3</sup>	(2,489)	—

## Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
<b>FORWARD CURRENCY CONTRACTS</b>			
<b>— (cont.)</b>			
ZAR(67,859,260)	Sold South African Rand		
USD5,000,000	for US Dollars (Expires 28/09/2018) <sup>3</sup>	484,365	0.15
SGD(1,500,000)	Sold Singapore Dollar		
USD1,101,259	for US Dollars (Expires 28/09/2018) <sup>3</sup>	8,605	—
AUD(13,746,994)	Sold Australian Dollar		
USD10,100,000	for US Dollars (Expires 28/09/2018) <sup>3</sup>	167,794	0.05
COP(14,759,349,000)	Sold Columbian Peso		
USD5,100,000	for US Dollars (Expires 28/09/2018) <sup>3</sup>	264,397	0.08
TWD(28,000,000)	Sold Taiwan Dollar		
USD916,575	for US Dollars (Expires 28/09/2018) <sup>3</sup>	4,638	—
THB(324,338,900)	Sold Thai Bhat		
USD9,700,000	for US Dollars (Expires 28/09/2018) <sup>3</sup>	(149,183)	(0.05)
MXN(140,622,426)	Sold Mexican Peso		
USD7,300,000	for US Dollars (Expires 28/09/2018) <sup>3</sup>	77,443	0.03
TRY(24,913,860)	Sold Turkish Lira		
USD5,000,000	for US Dollars (Expires 28/09/2018) <sup>3</sup>	1,001,275	0.32
BRL(18,794,400)	Sold Brazilian Real		
USD4,800,000	for US Dollars (Expires 28/09/2018) <sup>3</sup>	231,992	0.07
USD(500,000)	Sold US Dollars		
ZAR6,598,356	for South African Rand (Expires 27/09/2018) <sup>3</sup>	(57,699)	(0.02)
GBP(286,151)	Sold Sterling		
ZAR5,000,000	for South African Rand (Expires 27/09/2018) <sup>3</sup>	(37,947)	(0.01)
		<u>(326,259)</u>	<u>(0.10)</u>
<b>FUTURES CONTRACTS</b>			
<b>— 0.12% (-0.43%)</b>			
310	Australia 10 Year Future Expiry September 2018	232,338	0.07
(369)	Euro-BTP Future Expiry December 2018	(388,336)	(0.12)
(60)	Euro-Buxl Future Expiry December 2018	51,636	0.02
(159)	Euro-OAT Future Expiry December 2018	66,993	0.02
24	Japan 10 Year Bond Future Expiry September 2018	(53,835)	(0.02)
(281)	LIFFE Long Gilt Index Future Expiry December 2018	113,805	0.03
745	Ultra US 10 Year Treasury Notes Future Expiry December 2018	(188,519)	(0.06)
(524)	Ultra US Treasury Notes Future Expiry December 2018	530,385	0.17
(9)	US 10 Year Treasury Notes Future Expiry December 2018	813	—
1,368	US 2 Year Treasury Notes Future Expiry December 2018	20,741	0.01
(684)	US 5 Year Treasury Notes Future Expiry December 2018	—	—
(13)	US Treasury Long Bond Future Expiry December 2018	7,206	—
		<u>393,227</u>	<u>0.12</u>

## Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
<b>INTEREST RATE SWAPS</b>			
<b>— 0.05% (0.86%)</b>			
SEK1,100,000,000	IRS STBOR3M 0.046% Expiry 29/05/2020 <sup>4</sup>	63,198	0.02
USD170,000,000	IRS LIBOR3M 2.8785% Expiry 20/02/2021 <sup>4</sup>	(180,259)	(0.06)
USD170,000,000	IRS LIBOR3M 2.8875% Expiry 20/02/2021 <sup>4</sup>	(169,048)	(0.05)
USD170,000,000	IRS LIBOR3M 2.9335% Expiry 01/03/2021 <sup>4</sup>	(99,761)	(0.03)
USD170,000,000	IRS LIBOR3M 3.0563% Expiry 30/04/2021 <sup>4</sup>	78,363	0.02
AUD(295,000,000)	IRS BBSW3M 2.694% Expiry 15/05/2022 <sup>4</sup>	(571,133)	(0.18)
AUD295,000,000	IRS BBSW3M 2.694% Expiry 15/05/2022 <sup>4</sup>	571,133	0.18
GBP200,000,000	IRS LIBOR6M 1.6313% Expiry 04/06/2024 <sup>4</sup>	27,000	0.01
AUD56,000,000	IRS BBSW6M 3.0875% Expiry 08/06/2027 <sup>4</sup>	141,706	0.04
AUD60,000,000	IRS BBSW6M 3.325% Expiry 12/06/2028 <sup>4</sup>	301,709	0.10
		162,908	0.05
<b>CREDIT DEFAULT SWAPS</b>			
<b>— 3.06% (-0.57%)</b>			
USD(2,000,000)	CDS AK Steel Corporation 5% 20/06/2022 <sup>5</sup>	88,049	0.03
USD(2,000,000)	CDS AK Steel Corporation 5% 20/06/2023 <sup>5</sup>	34,705	0.01
USD6,000,000	CDS Ally Financial 5% 20/06/2021 <sup>5</sup>	(532,197)	(0.17)
EUR4,800,000	CDS Alice Finco 5% 20/12/2020 <sup>5</sup>	(244,519)	(0.08)
USD(1,600,000)	CDS American Axle 5% 20/06/2022 <sup>5</sup>	134,318	0.04
USD(2,000,000)	CDS American Axle 5% 20/06/2022 <sup>5</sup>	167,898	0.05
USD1,785,000	CDS Amkor 5% 20/12/2020 <sup>5</sup>	(132,570)	(0.04)
USD1,240,000	CDS Amkor 5% 20/12/2020 <sup>5</sup>	(92,094)	(0.03)
USD2,675,000	CDS Amkor 5% 20/12/2020 <sup>5</sup>	(198,670)	(0.06)
USD(4,725,000)	CDS Anadarko Petroleum 1% 20/06/2022 <sup>5</sup>	56,328	0.02
USD(1,875,000)	CDS Anadarko Petroleum 1% 20/06/2022 <sup>5</sup>	22,352	0.01
EUR2,467,000	CDS Anglo American Capital 1% 20/12/2020 <sup>5</sup>	(19,986)	(0.01)
EUR3,167,000	CDS Anglo American Capital 1% 20/12/2020 <sup>5</sup>	(25,657)	(0.01)
EUR4,530,000	CDS Arcelormittal 5% 20/12/2020 <sup>5</sup>	(413,511)	(0.13)
USD(2,000,000)	CDS Beazer Homes 5% 20/06/2022 <sup>5</sup>	104,699	0.03
USD5,500,000	CDS Best Buy 5% 20/12/2021 <sup>5</sup>	(609,054)	(0.19)
USD5,600,000	CDS Canadian Natural Resources 1% 20/09/2020 <sup>5</sup>	(71,859)	(0.02)
USD6,500,000	CDS Canadian Natural Resources 1% 20/09/2020 <sup>5</sup>	(83,407)	(0.03)
USD5,200,000	CDS Citizens Communications 5% 20/12/2020 <sup>5</sup>	485,688	0.15
EUR(3,250,000)	CDS CNH Industrial 5% 20/06/2022 <sup>5</sup>	465,110	0.15

## Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
<b>CREDIT DEFAULT SWAPS — (cont.)</b>			
EUR1,000,000	CDS Commonwealth of Australia 5% 20/12/2019 <sup>5</sup>	461,631	0.15
USD2,250,000	CDS Commonwealth of Australia 1% 20/06/2022 <sup>5</sup>	(55,190)	(0.02)
USD5,100,000	CDS Communications Sales 5% 20/12/2020 <sup>5</sup>	(15,434)	—
USD(2,000,000)	CDS Dell 1% 20/06/2023 <sup>5</sup>	(56,621)	(0.02)
USD2,745,000	CDS Dish DBS 5% 20/12/2020 <sup>5</sup>	(136,081)	(0.04)
USD2,600,000	CDS Dish DBS 5% 20/12/2020 <sup>5</sup>	(128,893)	(0.04)
USD4,200,000	CDS Dish DBS 5% 20/06/2023 <sup>5</sup>	39,596	0.01
USD1,800,000	CDS Dish DBS 5% 20/06/2023 <sup>5</sup>	16,970	0.01
EUR5,000,000	CDS Energias de Portugal 5% 20/06/2019 <sup>5</sup>	(175,343)	(0.06)
USD(10,000,000)	CDS Energy Transfer Partners 1% 20/12/2022 <sup>5</sup>	105,761	0.03
USD900,000	CDS Federation of Malaysia 1% 20/06/2022 <sup>5</sup>	(5,538)	—
USD700,000	CDS Federation of Malaysia 1% 20/06/2022 <sup>5</sup>	(4,307)	—
EUR9,300,000	CDS Fiat Finance 5% 20/12/2020 <sup>5</sup>	(792,231)	(0.25)
USD1,295,000	CDS First Data Corporation 5% 20/12/2020 <sup>5</sup>	(100,013)	(0.03)
USD1,400,000	CDS First Data Corporation 5% 20/12/2020 <sup>5</sup>	(108,122)	(0.03)
USD3,400,000	CDS First Data Corporation 5% 20/12/2020 <sup>5</sup>	(262,582)	(0.08)
USD(3,700,000)	CDS General Electric 1% 20/06/2023 <sup>5</sup>	42,911	0.01
EUR11,000,000	CDS Glencore Finance 1% 20/12/2020 <sup>5</sup>	(47,391)	(0.01)
EUR4,700,000	CDS Hema Bondco 5% 20/12/2020 <sup>5</sup>	(198,025)	(0.06)
USD5,800,000	CDS Hewlett-Packard 1% 20/12/2020 <sup>5</sup>	(82,856)	(0.03)
EUR(1,200,000)	CDS Hilton Group Finance 1% 20/12/2022 <sup>5</sup>	(16,819)	(0.01)
EUR(1,080,000)	CDS Hilton Group Finance 1% 20/12/2022 <sup>5</sup>	(15,137)	—
EUR(720,000)	CDS Hilton Group Finance 1% 20/12/2022 <sup>5</sup>	(10,092)	—
EUR8,200,000	CDS HSBC 1% 20/12/2021 <sup>5</sup>	(109,522)	(0.03)
EUR(3,200,000)	CDS Iceland Bondco 5% 20/06/2022 <sup>5</sup>	201,732	0.06
EUR(1,000,000)	CDS Iceland Bondco 5% 20/12/2022 <sup>5</sup>	52,228	0.02
EUR(1,000,000)	CDS Iceland Bondco 5% 20/12/2022 <sup>5</sup>	52,228	0.02
EUR(715,000)	CDS INEOS Group 5% 20/12/2022 <sup>5</sup>	87,225	0.03
EUR(1,900,000)	CDS INEOS Group 5% 20/12/2022 <sup>5</sup>	231,787	0.07
EUR(1,900,000)	CDS INEOS Group 5% 20/12/2022 <sup>5</sup>	231,787	0.07
EUR(6,700,000)	CDS Jaguar Land Rover 5% 20/12/2021 <sup>5</sup>	488,414	0.15
USD2,000,000	CDS JC Penney 5% 20/12/2020 <sup>5</sup>	312,237	0.10

## Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
<b>CREDIT DEFAULT SWAPS — (cont.)</b>			
USD600,000	CDS Kingdom of Saudi Arabia 1% 20/12/2022 <sup>5</sup>	(4,801)	—
USD5,000,000	CDS Kingdom of Saudi Arabia 1% 20/06/2023 <sup>5</sup>	(28,954)	(0.01)
USD1,600,000	CDS Kingdom of Thailand 1% 20/06/2022 <sup>5</sup>	(29,835)	(0.01)
USD(3,750,000)	CDS Kroger 1% 20/06/2022 <sup>5</sup>	50,765	0.02
USD(4,450,000)	CDS Kroger 1% 20/06/2022 <sup>5</sup>	60,242	0.02
USD8,500,000	CDS Limited Brands 1% 20/12/2020 <sup>5</sup>	(5,806)	—
EUR(2,000,000)	CDS Loxam 5% 20/06/2022 <sup>5</sup>	211,869	0.07
EUR(2,000,000)	CDS Loxam 5% 20/06/2022 <sup>5</sup>	211,869	0.07
USD7,500,000	CDS Macys 1% 20/12/2021 <sup>5</sup>	(20,033)	(0.01)
USD(4,725,000)	CDS Marathon Oil 1% 20/06/2022 <sup>5</sup>	60,855	0.02
USD(1,875,000)	CDS Marathon Oil 1% 20/06/2022 <sup>5</sup>	24,149	0.01
EUR(4,000,000)	CDS Marks & Spencer 1% 20/06/2022 <sup>5</sup>	(13,981)	—
EUR(3,600,000)	CDS Marks & Spencer 1% 20/06/2022 <sup>5</sup>	(12,583)	—
USD(2,700,000)	CDS Meritor 5% 20/12/2022 <sup>5</sup>	284,584	0.09
EUR(6,500,000)	CDS Metro 1% 20/06/2022 <sup>5</sup>	31,741	0.01
USD(1,850,000)	CDS MGM Resorts International 5% 20/12/2022 <sup>5</sup>	186,867	0.06
USD(2,000,000)	CDS Murphy Oil Corporation 1% 20/06/2022 <sup>5</sup>	(16,096)	—
USD3,500,000	CDS Newell Brands 1% 20/06/2023 <sup>5</sup>	62,241	0.02
EUR(4,900,000)	CDS Next 1% 20/12/2022 <sup>5</sup>	10,643	—
EUR4,400,000	CDS NXP Funding 5% 20/12/2020 <sup>5</sup>	(413,473)	(0.13)
USD5,500,000	CDS Penerbangan 1% 20/06/2023 <sup>5</sup>	(2,978)	—
USD5,250,000	CDS Pitney-Bowes 1% 20/12/2020 <sup>5</sup>	66,360	0.02
USD(5,250,000)	CDS Pitney-Bowes 1% 20/06/2023 <sup>5</sup>	(571,511)	(0.18)
EUR4,600,000	CDS Pizzaexpress Financing 5% 20/12/2020 <sup>5</sup>	609,874	0.19
EUR(1,684,000)	CDS Porsche International Financing 1% 20/06/2022 <sup>5</sup>	36,488	0.01
USD(10,000,000)	CDS Qantas Airways 1% 20/06/2022 <sup>5</sup>	75,894	0.02
EUR(3,200,000)	CDS Renault 1% 20/12/2022 <sup>5</sup>	11,261	—
USD3,000,000	CDS Republic of Argentina 5% 20/06/2023 <sup>5</sup>	270,939	0.09
USD7,000,000	CDS Republic of Argentina 5% 20/06/2023 <sup>5</sup>	632,191	0.20
USD5,500,000	CDS Republic of Brazil 1% 20/06/2023 <sup>5</sup>	366,223	0.12
USD1,850,000	CDS Republic of Chile 1% 20/06/2022 <sup>5</sup>	(28,562)	(0.01)
USD1,350,000	CDS Republic of Chile 1% 20/06/2022 <sup>5</sup>	(20,843)	(0.01)
USD900,000	CDS Republic of China 1% 20/06/2022 <sup>5</sup>	(12,986)	—
USD900,000	CDS Republic of China 1% 20/06/2022 <sup>5</sup>	(12,986)	—
USD900,000	CDS Republic of Colombia 1% 20/06/2022 <sup>5</sup>	(2,546)	—

## Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	<b>CREDIT DEFAULT SWAPS — (cont.)</b>		
USD4,500,000	CDS Republic of Colombia 1% 20/06/2023 <sup>5</sup>	22,804	0.01
USD5,500,000	CDS Republic of Colombia 1% 20/06/2023 <sup>5</sup>	27,871	0.01
USD5,500,000	CDS Republic of Indonesia 1% 20/06/2023 <sup>5</sup>	75,061	0.02
USD9,000,000	CDS Republic of Turkey 1% 20/12/2020 <sup>5</sup>	758,914	0.24
USD5,500,000	CDS Republic of Peru 1% 20/06/2023 <sup>5</sup>	(26,913)	(0.01)
USD2,500,000	CDS Rite Aid Corporation 5% 20/12/2020 <sup>5</sup>	(23,394)	(0.01)
EUR(7,500,000)	CDS Sainsbury 1% 20/06/2022 <sup>5</sup>	45,455	0.01
EUR(4,000,000)	CDS Schaeffler Finance 5% 20/06/2022 <sup>5</sup>	583,326	0.18
EUR2,000,000	CDS Selecta Group 5% 20/12/2022 <sup>5</sup>	(141,363)	(0.04)
USD8,670,000	CDS Sprint Nextel 5% 20/12/2020 <sup>5</sup>	(535,704)	(0.17)
EUR9,500,000	CDS Standard Chartered Bank 1% 20/12/2020 <sup>5</sup>	(119,221)	(0.04)
EUR(3,811,000)	CDS Synnex 1% 20/06/2022 <sup>5</sup>	(38,859)	(0.01)
EUR(3,789,000)	CDS Synnex 1% 20/12/2022 <sup>5</sup>	(69,425)	(0.02)
EUR(3,600,000)	CDS Tesco 1% 20/06/2023 <sup>5</sup>	1,866	—
USD5,500,000	CDS United Mexican States 1% 20/06/2023 <sup>5</sup>	46,553	0.01
USD(4,000,000)	CDS US Steel 5% 20/06/2022 <sup>5</sup>	359,797	0.11
USD(2,850,000)	CDS Verizon 1% 20/06/2022 <sup>5</sup>	44,349	0.01
USD(3,750,000)	CDS Verizon 1% 20/06/2022 <sup>5</sup>	58,355	0.02
USD3,500,000	CDS Windstream Services 5% 20/12/2020 <sup>5</sup>	863,758	0.27
USD42,500,000	CDX iTraxx Asia 1% 20/12/2021 <sup>5</sup>	(422,312)	(0.13)
USD(42,500,000)	CDX iTraxx Asia 1% 20/06/2022 <sup>5</sup>	379,475	0.12
EUR30,000,000	CDX iTraxx Crossover 5% 20/06/2023 <sup>5</sup>	(2,357,553)	(0.75)
EUR20,000,000	CDX iTraxx Crossover 5% 20/06/2023 <sup>5</sup>	(1,571,702)	(0.50)
EUR100,000,000	CDX iTraxx Europe 1% 20/06/2023 <sup>5</sup>	(1,358,154)	(0.43)
USD(20,000,000)	CDX North American High Yield 5% 20/12/2020 <sup>5</sup>	1,001,948	0.32
USD(19,000,000)	CDX North American High Yield 5% 20/12/2020 <sup>5</sup>	951,851	0.30
USD(21,000,000)	CDX North American High Yield 5% 20/12/2020 <sup>5</sup>	1,052,046	0.33
USD(20,000,000)	CDX North American High Yield 5% 20/12/2020 <sup>5</sup>	1,001,948	0.32
USD(20,000,000)	CDX North American High Yield 5% 20/12/2020 <sup>5</sup>	1,001,948	0.32
USD35,000,000	CDX North American High Yield 5% 20/06/2023 <sup>5</sup>	(1,832,239)	(0.58)
USD(225,000,000)	CDX North American Investment Grade 1% 20/12/2022 <sup>5</sup>	3,314,493	1.05
USD(100,000,000)	CDX North American Investment Grade 1% 20/06/2023 <sup>5</sup>	1,343,324	0.42
USD(100,000,000)	CDX North American Investment Grade 1% 20/06/2023 <sup>5</sup>	1,343,324	0.42
USD(100,000,000)	CDX North American Investment Grade 1% 20/06/2023 <sup>5</sup>	1,343,324	0.42

## Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
<b>CREDIT DEFAULT SWAPS — (cont.)</b>			
USD(50,000,000)	CDX North American Investment Grade 1% 20/06/2023 <sup>3</sup>	671,662	0.21
USD(50,000,000)	CDX North American Investment Grade 1% 20/06/2023 <sup>5</sup>	671,662	0.21
		9,675,289	3.06
<b>Portfolio of investments<sup>6</sup></b>		291,127,290	92.06
<b>Net other assets</b>		25,097,809	7.94
<b>Total net assets</b>		£316,225,099	100.00%

<sup>1</sup> These are sub-investment grade fixed interest securities and represent 39.48% of the net assets of the Fund.

<sup>2</sup> These are unrated fixed interest securities and represent 0.48% of the net assets of the Fund.

<sup>3</sup> Unlisted securities are valued at the Manager's best assessment of their fair and reasonable value.

<sup>4</sup> An Interest Rate Swap (IRS) position denoted as a negative nominal indicates the Fund has paid fixed rate to receive floating, whilst an IRS position denoted as a positive nominal indicates the Fund has paid floating rate to receive fixed.

<sup>5</sup> A short Credit Default Swap (CDS) position (denoted as a negative nominal) indicates the Fund has sold protection, whilst a long CDS position (denoted as a positive nominal) indicates the Fund has bought protection.

<sup>6</sup> Including investment liabilities.

Total purchases for the year: £462,806,825.

Total sales for the year: £591,421,904.



# Independent Auditor's Report

## Independent auditor's report to the Unitholders of Legal & General Dynamic Bond Fund ('the Fund')

### **Opinion**

We have audited the financial statements of the Fund for the year ended 5 September 2018 which comprise the Statement of Total Return, the Statement of Changes in Net Assets Attributable to Unitholders, the Balance Sheet, the Related Notes and Distribution Tables for the Fund and the accounting policies set out on pages 27 and 28.

In our opinion, the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the financial position of the Fund as at 5 September 2018 and of the net revenue and the net capital losses on the property of the Fund for the year then ended; and
- have been properly prepared in accordance with the Trust Deed, the Statement of Recommended Practice relating to UK Authorised Funds, and the COLL Rules.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Fund in accordance with, UK ethical requirements including the FRC Ethical Standard.

We have received all the information and explanations which we consider necessary for the purposes of our audit and we believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### **Other information**

The Manager (Legal & General (Unit Trust Managers) Limited) is responsible for the other information presented in the Annual Manager's Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information; and
- in our opinion the information given in Manager's Report for the financial year is consistent with the financial statements.

## Independent Auditor's Report continued

### ***Matters on which we are required to report by exception***

We have nothing to report in respect of the following matters where under the COLL Rules we are required to report to you if, in our opinion:

- proper accounting records for the Fund have not been kept; or
- the financial statements are not in agreement with the accounting records.

### ***Manager's responsibilities***

As explained more fully in their statement set out on page 6, the Manager is responsible for: the preparation of financial statements that give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

### ***Auditor's responsibilities***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### ***The purpose of our audit work and to whom we owe our responsibilities***

This report is made solely to the Fund's unitholders, as a body, in accordance with Rule 4.5.12 of the Collective Investment Schemes sourcebook ("the COLL Rules") issued by the Financial Conduct Authority under section 247 of the Financial Services and Markets Act 2000. Our audit work has been undertaken so that we might state to the Fund's unitholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Jatin Patel  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
15 Canada Square,  
London E14 5GL  
25 October 2018

## Financial Statements

### Statement of Total Return for the year ended 5 September 2018

Notes	05/09/18		05/09/17	
	£	£	£	£
<b>Income</b>				
Net capital losses	3	(33,007,358)		(50,264,068)
Revenue	4	34,892,023	44,442,904	
Expenses	5	(1,932,824)	(3,505,440)	
Interest payable and similar charges	7	(2,292,593)	(1,322,498)	
<b>Net revenue before taxation</b>		<u>30,666,606</u>	<u>39,614,966</u>	
Taxation	6	—	—	
<b>Net revenue after taxation for the year</b>		<u>30,666,606</u>	<u>39,614,966</u>	
Total return before distributions		(2,340,752)	(10,649,102)	
Distributions	7	(31,633,250)	(41,368,003)	
<b>Change in net assets attributable to Unitholders from investment activities</b>		<u>£(33,974,002)</u>	<u>£(52,017,105)</u>	

### Statement of Change in Net Assets attributable to Unitholders for the year ended 5 September 2018

	05/09/18		05/09/17	
	£	£	£	£
Opening net assets attributable to Unitholders		484,665,122		897,399,792
Amounts received on issue of units		10,412,973	10,389,766	
Amounts paid on cancellation of units		(153,484,125)	(381,225,686)	
		<u>(143,071,152)</u>	<u>(370,835,920)</u>	
<b>Change in net assets attributable to Unitholders from investment activities</b>		<u>(33,974,002)</u>	<u>(52,017,105)</u>	
Retained distributions on accumulation units		8,604,576	10,106,367	
Unclaimed distributions		<u>555</u>	<u>11,988</u>	
<b>Closing net assets attributable to Unitholders</b>		<u>£316,225,099</u>	<u>£484,665,122</u>	

## Financial Statements continued

### Balance Sheet as at 5 September 2018

	Notes	05/09/18 £	05/09/17 £
<b>ASSETS</b>			
<b>Fixed assets:</b>			
Investments		310,211,039	480,323,129
<b>Current assets:</b>			
Debtors	8	3,411,998	16,077,712
Cash and bank balances	9	<u>158,877,637</u>	<u>136,725,329</u>
<b>Total assets</b>		<b><u>472,500,674</u></b>	<b><u>633,126,170</u></b>
<b>LIABILITIES</b>			
Investment liabilities		(19,083,749)	(26,351,666)
<b>Creditors:</b>			
Bank overdrafts	9	(130,576,366)	(100,012,527)
Distributions payable		(4,673,622)	(6,667,455)
Other creditors	10	<u>(1,941,838)</u>	<u>(15,429,400)</u>
<b>Total liabilities</b>		<b><u>(156,275,575)</u></b>	<b><u>(148,461,048)</u></b>
<b>Net assets attributable to Unitholders</b>		<b><u>£316,225,099</u></b>	<b><u>£484,665,122</u></b>

# Notes to the Financial Statements

## 1. Statement of Compliance

The Financial Statements have been prepared in compliance with UK Financial Reporting Standard 102 (FRS 102) and in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014 (2014 SORP).

## 2. Summary of Significant Accounting Policies

### (a) Basis of Preparation

The Financial Statements have been prepared on a going concern basis, under the historical cost convention as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss.

The principal accounting policies which have been applied consistently are set out below.

### (b) Functional and Presentation Currency

The functional and presentation currency of the Fund is Sterling.

### (c) Recognition of Revenue

Bond revenue is accounted for on an effective yield basis, calculated with reference to the purchase price. If the Manager believes that future commitments will not be met due to the bond issuer showing signs of financial distress, revenue accruals will be discounted. Any resultant revenue from these issues will then be treated on a receipts basis.

Revenue from distribution and accumulation units in Collective Investment Schemes is recognised when the distribution is quoted ex-dividend.

Equalisation on distributions received from Collective Investment Schemes is treated as capital property of the Fund.

Rebates received from underlying Collective Investment Schemes are treated as revenue or capital depending on the treatment of the Manager's fees in the underlying Fund.

Revenue from derivative instruments is treated in accordance with note 2(i).

All other revenue is recognised on an accruals basis.

### (d) Treatment of Expenses

All expenses (other than those relating to the purchase and sale of investments) are charged against revenue on an accruals basis.

### (e) Distribution Policy

The policy is to distribute all available revenue, after deduction of those expenses which are chargeable in calculating the distribution. In order to conduct a controlled dividend flow, interim distributions will be at the Manager's discretion, up to a maximum of the distributable revenue for the period. All remaining revenue is distributed in accordance with the COLL.

50% of the fund management fee is charged to capital and 50% is charged to revenue for the purpose of calculating the distribution.

Distributions which have remained unclaimed by Unitholders for over six years are credited to the capital property of the Fund.

## Notes to the Financial Statements continued

### 2. Summary of Significant Accounting Policies continued

#### (f) Basis of Valuation of Investments

All investments are valued at their fair value as at 3pm on 5 September 2018, being the last working day of the accounting year. The fair value for non-derivative securities is bid market price, excluding any accrued interest. The fair value for units in Collective Investment Schemes is the cancellation price or bid price for dual priced funds and single price for single priced funds. The fair value for derivative instruments is the cost of closing out the contract on the last working day of the accounting year.

Where collateral is pledged to a counterparty, the asset remains part of the scheme property of the Fund and is shown within the financial assets of the Fund.

Where values cannot be readily determined, the securities are valued at the Manager's best assessment of their fair and reasonable value.

#### (g) Taxation

Provision is made for taxation at current rates on the excess of investment revenue over expenses.

Deferred tax is provided for on all timing differences that have originated but not reversed by the balance sheet date, other than those differences that are regarded as permanent. Any liability to deferred tax is provided for at the average rate of tax expected to apply.

#### (h) Foreign Exchange

Transactions in foreign currencies are translated at the rate of exchange ruling on the date of the transaction. Where applicable, assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at 3pm on 5 September 2018, being the last working day of the accounting year.

#### (i) Derivative Instruments

The Fund may make use of financial derivative instruments for Efficient Portfolio Management (EPM) purposes. EPM aims to reduce risk, reduce costs, or generate additional capital or income for the Fund with an acceptably low level of risk. These aims allow for tactical asset allocation, which is a temporary switch in investment exposure through the use of derivatives rather than trading the underlying securities.

As well as the use of financial derivative instruments as part of efficient portfolio management, the Fund may also make use of derivatives in the pursuit of the investment objective. Derivative instruments can be used to adjust investment exposure or to try to take advantage of perceived movements in prices or spreads.

Derivative instruments held within the Fund have been accounted for and taxed in accordance with the Statement of Recommended Practice for Authorised Funds (IA SORP 2014). Returns on derivative transactions have been treated as either revenue or capital depending on the motives and circumstances on acquisition.

## Notes to the Financial Statements continued

### 3. Net capital losses

	05/09/18	05/09/17
	£	£
The net capital losses during the year comprise:		
Non-derivative securities	(30,178,041)	36,826,540
Derivative securities	(9,914,964)	(52,126,631)
Forward currency contracts	(26,745)	(24,105,954)
Currency gains/(losses)	<u>7,112,392</u>	<u>(10,858,023)</u>
Net capital losses	<u>(33,007,358)</u>	<u>(50,264,068)</u>

### 4. Revenue

	05/09/18	05/09/17
	£	£
Bond Interest	17,456,672	34,559,278
Interest distributions	2,182,368	2,115,787
Management fee rebates	408,562	487,040
Credit default swap revenue	14,707,194	7,001,372
Interest rate swap revenue	—	187,248
Bank interest	<u>137,227</u>	<u>92,179</u>
	<u>34,892,023</u>	<u>44,442,904</u>

### 5. Expenses

	05/09/18	05/09/17
	£	£
Payable to the Manager, associates of the Manager and agents of either of them:		
Fund management fees	<u>1,932,824</u>	<u>3,505,440</u>
Total expenses	<u>1,932,824</u>	<u>3,505,440</u>

Audit fees of £15,000 plus VAT of £3,000 have been borne by the Manager out of its fund management fee. In the prior year, the total audit fee was £15,620 plus VAT of £3,124.

## Notes to the Financial Statements continued

### 6. Taxation

#### (a) Analysis of taxation charge in year

	05/09/18	05/09/17
	£	£
Corporation tax	—	—
Current tax [note 6(b)]	—	—
Deferred tax [note 6(c)]	—	—
Total taxation	—	—

#### (b) Factors affecting taxation charge for the year

The current tax charge excludes capital gains and losses for the reason that Authorised Unit Trusts are not subject to Corporation Tax on these items. Current tax differs from taxation assessed on net revenue before taxation as follows:

Net revenue before taxation	30,666,606	39,614,966
Net revenue before taxation multiplied by the applicable rate of Corporation tax of 20% (2017: 20%)	6,133,321	7,922,993
<b>Effects of:</b>		
Interest distributions deductible for tax purposes	(6,133,321)	(7,922,993)
Current tax	—	—

#### (c) Provision for deferred tax

There is no deferred tax provision in the current or preceding year.



## Notes to the Financial Statements continued

### 7. Distributions

The distributions take account of revenue received on the creation of units and revenue deducted on the cancellation of units and comprise:

	05/09/18	05/09/17
	£	£
First interim distribution	6,592,417	7,103,312
Second interim distribution	6,500,839	11,473,289
Third interim distribution	10,194,085	7,938,856
Final distribution	<u>6,628,917</u>	<u>9,252,758</u>
	29,916,258	35,768,215
Add: Revenue deducted on cancellation of units	1,779,863	3,997,329
Less: Revenue received on creation of units	(62,871)	(60,809)
Income tax withheld	—	1,663,268
<b>Distributions for the year</b>	<b><u>31,633,250</u></b>	<b><u>41,368,003</u></b>
<b>Interest payable and similar charges</b>		
Bank collateral and overdraft interest	192,092	94,225
Futures expense	<u>2,100,501</u>	<u>1,228,273</u>
	<u>33,925,843</u>	<u>42,690,501</u>

The differences between the net revenue after taxation and the distributions for the year are as follows:

	05/09/18	05/09/17
	£	£
Net revenue after taxation for the year	30,666,606	39,614,966
Add: Expenses charged to capital	966,412	1,752,720
Equalisation uplift on units conversions	<u>232</u>	<u>317</u>
<b>Distributions for the year</b>	<b><u>31,633,250</u></b>	<b><u>41,368,003</u></b>

## Notes to the Financial Statements continued

### 8. Debtors

	05/09/18	05/09/17
	£	£
Accrued revenue	3,341,021	6,469,522
Amounts receivable for creation of units	41,998	12,923
Management fee rebates	24,842	54,521
Sales awaiting settlement	4,137	9,540,746
	<u>3,411,998</u>	<u>16,077,712</u>

### 9. Net uninvested cash

	05/09/18	05/09/17
	£	£
Amounts held at futures clearing houses and brokers	2,155,410	7,558,531
Cash and bank balances	156,722,227	129,166,798
Bank overdrafts	<u>(130,576,366)</u>	<u>(100,012,527)</u>
Net uninvested cash	<u>28,301,271</u>	<u>36,712,802</u>

### 10. Other creditors

	05/09/18	05/09/17
	£	£
Accrued expenses	144,297	244,634
Amounts payable for cancellation of units	1,797,541	6,021,128
Purchases awaiting settlement	—	9,015,284
Swaps revenue payable	—	148,354
	<u>1,941,838</u>	<u>15,429,400</u>

### 11. Contingent liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (5 September 2017: same).

## Notes to the Financial Statements continued

### 12. Financial Instruments and Associated Risks

The investments of a Fund in financial securities and derivatives are subject to normal market fluctuations and other risks inherent in investing in such instruments. Legal & General (Unit Trust Managers) Limited (UTM) is the Authorised Fund Manager and has responsibility for ensuring appropriate risk management processes are implemented for each Unit Trust.

The UTM Board has delegated the risk oversight function to the Fund Manager Oversight Committee (FMOC), a committee of the Legal & General Investment Management (Holdings) Limited (LGIMH) Board that meets monthly. The primary objective of the FMOC is to ensure proper oversight of the investment management activities and associated services performed by LGIM, its delegates and other Fund Managers, under the Investment Management Agreement (IMA), on behalf of UTM in its capacity as Authorised Fund Manager. The committee consists of senior members of LGIMH and members of the UTM Board. Other senior staff members are also in attendance, as required by the agenda.

Each Fund has Investment Guidelines, an Investment Objective and Investment Restrictions, against which the fund manager will operate. These are set out in Schedule 1 of the IMA between LGIM and UTM. The Schedule is maintained by each fund manager, reviewed by the LGIM Operational Risk and Compliance Teams and approved senior members of LGIMH on behalf of the UTM board. The Schedule provides the detail needed to determine the risk profile for each fund. Fund managers are not permitted to invest into any new instruments without first gaining approval from UTM.

The Investment Objective and Policy of this Fund is detailed on page 2.

#### (a) Market Risk

The Fund's investment objective is stated on page 2. In pursuing its objective, the Fund holds financial instruments which expose it to various types of risk. The main risks include market price risk, foreign currency risk, interest rate risk and derivative risk. These risks and the policies for managing them are disclosed earlier within this note.

The use of futures, options and swaps are subject to the investment guidelines and borrowing powers established in the Trust Deed, the Prospectus and the COLL.

Financial derivative instruments tend to have a greater volatility than the securities to which they relate and they bear a corresponding greater degree of risk. This may lead to high volatility in the unit price of the Fund and may cause the Fund's risk profile to rise.

The Manager uses Value at Risk (VaR) to monitor and control derivative exposure. VaR provides an indication of the potential gain or loss to the Fund, given a specified movement in the wider market and in a specified range of circumstances. VaR is a historical measure which cannot take into account all potential future trends, which may not follow historical patterns.

## Notes to the Financial Statements continued

### 12. Financial Instruments and Associated Risks continued

#### (a) Market Risk continued

Over the review year, the Fund's VaR on a 1 month 99% confidence interval, calculated using historical VaR model, ranged from its lowest 1.72% to its highest 5.42%, and an average of 3.66% of the Net Asset Value (Source: Legal & General Investment Management Internal Risk System) (As at 5 September 2017: 3.07%). This represents the maximum potential loss in the value of the Fund, with 99% confidence, over a one month period.

#### (b) Credit Risk

Credit Risk is the risk of suffering financial loss as a result of a counterparty to a financial transaction being unable to fulfil their financial obligations as they fall due.

Bonds or other debt securities involve credit risk to the issuer which may be evidenced by the issuer's credit rating. Securities which are subordinated and/or have a lower credit rating are generally considered to have a higher credit risk and a greater possibility of default than more highly rated securities.

The Fund's investments in bonds expose it to the default risk of the bond issuer with regards interest payments and principal repayments. Bond holdings with low credit ratings (sub-investment grade) or those that are not rated by a reputable credit rating agency (unrated) are disclosed in the Portfolio Statement on pages 9 to 22.

As this Fund invests in Collective Investment Schemes, there is credit risk in respect of the assets held by these Schemes.

The Fund's holdings in derivatives expose the Fund to additional credit risk. Credit risk arises from the failure of the counterparty to the derivative contract to meet its financial obligations. The Fund aims to limit credit risk derived from derivative positions by carrying out transactions with reputable and well established institutions and by obtaining collateral from the counterparties in a form and level which complies with the terms of the collateral agreements with the counterparty. The collateral will be used to reduce counterparty default risk exposure.

Exposures to counterparties through derivative positions and the collateral held at the balance sheet date can be seen on page 36.

This risk is managed by appraising the credit profile of financial instruments and issuers in line with the Fund's investment objective and policy.

#### (c) Liquidity Risk

Liquidity Risk relates to the capacity to meet liabilities as they fall due. The primary source of this risk to the Fund is the liability to Unitholders for any cancellation of units.

The Fund can also be exposed to liquidity risk through its commitments under derivative contracts, whereby additional margin payments or collateral payments may need to be posted with the counterparty or clearing house.

This risk is minimised by holding a large proportion of readily realisable assets, cash balances and via access to overdraft facilities.

## Notes to the Financial Statements continued

### 12. Financial Instruments and Associated Risks continued

#### (d) Fair Value

The fair value of a financial instrument is the amount for which it could be exchanged between knowledgeable, willing parties in an arm's length transaction. There is no material difference between the value of the financial assets and liabilities, as shown in the financial statements, and their fair value.

The Statement of Recommended Practice for Financial Statements of UK Authorised Funds issued by the Investment Management Association in May 2014 requires the classification of the Fund's financial instruments held at the year end into a 3 tiered fair value hierarchy. The 3 tiers of the hierarchy and the classification of the Fund's financial instruments as at the balance sheet date were:

<b>05/09/18</b>	<b>Assets</b>	<b>Liabilities</b>
<b>Basis of Valuation</b>	<b>£</b>	<b>£</b>
Level 1 - Quoted Prices	72,165,228	(665,589)
Level 2 - Observable Market Data	238,045,811	(18,418,160)
Level 3 - Unobservable Data	—	—
<b>Total</b>	<b>310,211,039</b>	<b>(19,083,749)</b>

<b>05/09/17</b>	<b>Assets</b>	<b>Liabilities</b>
<b>Basis of Valuation</b>	<b>£</b>	<b>£</b>
Level 1 - Quoted Prices	1,660,537	(3,532,298)
Level 2 - Observable Market Data	478,662,592	(22,819,368)
Level 3 - Unobservable Data	—	—
<b>Total</b>	<b>480,323,129</b>	<b>(26,351,666)</b>

#### Level 1

The unadjusted quoted price in an active market for assets or liabilities that the entity can access at the measurement date.

#### Level 2

Valuation techniques using observable inputs other than quoted prices within Level 1.

#### Level 3

Valuation techniques using unobservable inputs.

## Notes to the Financial Statements continued

### 12. Financial Instruments and Associated Risks continued

#### (e) Financial Derivative Instruments and Collateral

During the year the Fund made use of 'Over the Counter' (OTC) Derivative Instruments. These types of transactions introduce Counterparty Risk, where a counterparty may fail to meet its financial commitments.

In order to reduce this risk, collateral may be held by the Fund. The counterparties to these transactions and any collateral held by the Fund at the balance sheet date is shown below:

#### Global exposure and collateral

Counterparty	Derivative Groups: Forward Currency Contracts	Swaps	Gain/(Loss) Position	Collateral Held/ (Delivered)	Type
Barclays	—	115,524,054	(3,657,235)	(4,540,000)	Cash
BNP Paribas	—	29,628,165	(1,720,108)	(1,924,876)	Cash
Citi Group	2,681,756	360,517,087	1,831,606	1,800,188	Cash
Credit Suisse	—	4,482,340	(175,343)	(286,004)	Cash
Deutsche	2,070,582	—	(13,908)	—	—
Goldman	—	—	—	—	—
Sachs	1,936,892	418,564,830	8,835,901	9,616,587	Cash
HSBC	52,425,082	1,041,104	1,093,744	1,059,851	Cash
JP Morgan	7,605,130	346,997,186	6,796,721	7,586,505	Cash
Merrill Lynch	—	138,664,261	(1,054,426)	(1,168,953)	Cash
Morgan	—	—	—	—	—
Stanley	9,026,651	579,382,545	(472,699)	(1,137,002)	Cash
NatWest	—	—	—	—	—
Markets	—	—	122	—	—
RBC Europe	9,812,096	—	501,857	—	—
Societe	—	—	—	—	—
Generale	165,805,506	4,303,046	(2,559,272)	(4,034,446)	Cash
Standard	—	—	—	—	—
Bank	9,146,029	—	41,308	—	—
UBS	59,554,155	—	63,670	—	—
<b>Total</b>	<b>320,063,879</b>	<b>1,999,104,618</b>	<b>9,511,938</b>	<b>6,971,850</b>	

### 13. Portfolio transaction costs

As the Fund mainly invests in assets that are not subject to commissions or taxes, there are no transaction costs (5 September 2017: same).

Total purchases for the year: £462,806,825  
(5 September 2017: £1,365,286,476)

Total sales for the year: £591,421,904  
(5 September 2017: £1,718,066,213)

The average portfolio dealing spread, including the effect of foreign exchange, as at the balance sheet date was 0.56% (5 September 2017: 0.53%).

## Notes to the Financial Statements continued

### 14. Unit classes

A list of unit classes in issue and the fund management fee on each unit class can be found on page 56. The net asset value per unit of each unit class and the number of units in each class are given in the comparative tables on pages 45 to 54. The distributions per unit class are given in the distribution tables on pages 40 to 43. All classes have the same rights on winding up.

## Notes to the Financial Statements continued

### 14. Unit classes continued

<b>R-Class</b>	<b>Distribution</b>	<b>Accumulation</b>
Opening Units	5,882,996	26,752,755
Units issued	481,831	335,866
Units cancelled	(1,504,932)	(5,575,940)
Units converted	(513,641)	(167,497)
Closing Units	4,346,254	21,345,184

<b>F-Class</b>	<b>Distribution</b>	<b>Accumulation</b>
Opening Units	83,687	75,428
Units issued	—	—
Units cancelled	(10,342)	(5,442)
Units converted	—	—
Closing Units	73,345	69,986

<b>I-Class</b>	<b>Distribution</b>	<b>Accumulation</b>
Opening Units	246,707,103	115,669,512
Units issued	3,756,240	5,965,881
Units cancelled	(124,742,686)	(41,611,741)
Units converted	596,434	8,285
Closing Units	126,317,091	80,031,937

<b>C-Class</b>	<b>Accumulation</b>
Opening Units	—
Units issued	2,000
Units cancelled	—
Units converted	—
Closing Units	2,000

<b>X-Class</b>	<b>Distribution</b>	<b>Accumulation</b>
Opening Units	78,270,156	6,523,214
Units issued	357,929	49,080
Units cancelled	(39,321,516)	(3,582,337)
Units converted	998	74,661
Closing Units	39,307,567	3,064,618

<b>L-Class</b>	<b>Distribution</b>
Opening Units	237,642,106
Units issued	2,410,168
Units cancelled	(17,232,329)
Units converted	—
Closing Units	222,819,945



## Notes to the Financial Statements continued

### 15. Ultimate controlling party and related party transactions

The Manager is regarded as a related party to the Fund because it provides key management personnel services to the Fund. The ultimate controlling party of the Manager is Legal & General Group Plc. Subsidiaries of Legal & General Group Plc are also considered related parties to the Fund.

Legal & General (Unit Trust Managers) Limited acts as the principal on all the transactions of the units in the Fund. The aggregated monies received through creations or paid on cancellations are disclosed in the statement of change in net assets attributable to unitholders.

Equalisation amounts relating to creations and cancellations of units are shown within note 7. Fees received by the Authorised Fund Manager from the Fund plus any rebates paid by the Authorised Fund Manager to the Fund are shown within notes 3, 4 and 5 as applicable. Any outstanding fees, amounts outstanding on creations or cancellations of units in the Fund, or rebates receivable by the Fund from the Manager are shown within notes 8 and 10 as applicable.

At the year end, the Manager and its associates held 39.64% (28.58% as at 5 September 2017) of the Fund's units in issue.

### 16. Post balance sheet market movements

As at the close of business on the balance sheet date the Net Asset Value per R-Class distribution unit was 52.70p. The Net Asset Value per R-Class distribution unit for the Fund as at 3pm on 23 October 2018 was 51.79p. This represents a decrease of 1.73% from the year end value.

## Distribution Tables

### Distribution Tables for the year ended 5 September 2018

Group 1: units purchased prior to a distribution period.

Group 2: units purchased during a distribution period.

Equalisation is the average amount of revenue included in the purchase price of all Group 2 units and is refunded to the holders of these units as a return of capital. As capital it is not liable to Income Tax but must be deducted from the cost of units for Capital Gains Tax purposes.

1st Interim Interest distribution in pence per unit			Period	
			06/09/17	to 05/12/17
<b>R-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Distribution Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>05/02/18</b>	<b>05/02/17</b>
Group 1	0.8103	—	0.8103	0.4833
Group 2	0.2001	0.6102	0.8103	0.4833
<b>R-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Accumulation Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>05/02/18</b>	<b>05/02/17</b>
Group 1	1.2356	—	1.2356	0.7016
Group 2	0.5631	0.6725	1.2356	0.7016
<b>F-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Distribution Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>05/02/18</b>	<b>05/02/17</b>
Group 1	0.8651	—	0.8651	0.5265
Group 2	—	0.8651	0.8651	0.5265
<b>F-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Accumulation Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>05/02/18</b>	<b>05/02/17</b>
Group 1	1.3317	—	1.3317	0.7657
Group 2	—	1.3317	1.3317	0.7657
<b>I-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Distribution Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>05/02/18</b>	<b>05/02/17</b>
Group 1	0.9005	—	0.9005	0.5525
Group 2	0.4312	0.4693	0.9005	0.5525
<b>I-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Accumulation Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>05/02/18</b>	<b>05/02/17</b>
Group 1	1.4202	—	1.4202	0.8217
Group 2	0.4951	0.9251	1.4202	0.8217
<b>X-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Distribution Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>05/02/18</b>	<b>05/02/17</b>
Group 1	0.9066	—	0.9066	0.7036
Group 2	0.1547	0.7519	0.9066	0.7036
<b>X-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Accumulation Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>05/02/18</b>	<b>05/02/17</b>
Group 1	1.5907	—	1.5907	1.1505
Group 2	—	1.5907	1.5907	1.1505
<b>L-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Distribution Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>05/02/18</b>	<b>05/02/17</b>
Group 1	0.9761	—	0.9761	0.6023
Group 2	0.5548	0.4213	0.9761	0.6023

## Distribution Tables continued

2nd Interim Interest distribution in pence per unit			Period	
			06/12/17	to 05/03/18
<b>R-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Distribution Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>05/05/18</b>	<b>05/05/17</b>
Group 1	0.8267	—	0.8267	0.9939
Group 2	0.2218	0.6049	0.8267	0.9939
<b>R-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Accumulation Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>05/05/18</b>	<b>05/05/17</b>
Group 1	1.2787	—	1.2787	1.4422
Group 2	0.6296	0.6491	1.2787	1.4422
<b>F-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Distribution Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>05/05/18</b>	<b>05/05/17</b>
Group 1	0.8838	—	0.8838	1.0523
Group 2	—	0.8838	0.8838	1.0523
<b>F-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Accumulation Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>05/05/18</b>	<b>05/05/17</b>
Group 1	1.3792	—	1.3792	1.5401
Group 2	—	1.3792	1.3792	1.5401
<b>I-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Distribution Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>05/05/18</b>	<b>05/05/17</b>
Group 1	0.9176	—	0.9176	1.0882
Group 2	0.5377	0.3799	0.9176	1.0882
<b>I-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Accumulation Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>05/05/18</b>	<b>05/05/17</b>
Group 1	1.4700	—	1.4700	1.6281
Group 2	0.9514	0.5186	1.4700	1.6281
<b>X-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Distribution Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>05/05/18</b>	<b>05/05/17</b>
Group 1	0.9230	—	0.9230	1.0894
Group 2	0.5224	0.4006	0.9230	1.0894
<b>X-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Accumulation Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>05/05/18</b>	<b>05/05/17</b>
Group 1	1.6463	—	1.6463	1.8255
Group 2	1.0838	0.5625	1.6463	1.8255
<b>I-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Distribution Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>05/05/18</b>	<b>05/05/17</b>
Group 1	0.9947	—	0.9947	1.1692
Group 2	0.7933	0.2014	0.9947	1.1692

## Distribution Tables continued

3rd Interim Interest distribution in pence per unit			Period	
			06/03/18	to 05/06/18
<b>R-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Distribution Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>05/08/18</b>	<b>05/08/17</b>
Group 1	1.4303	—	1.4303	0.7677
Group 2	0.2563	1.1740	1.4303	0.7677
<b>R-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Accumulation Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>05/08/18</b>	<b>05/08/17</b>
Group 1	2.2442	—	2.2442	1.1358
Group 2	1.4557	0.7885	2.2442	1.1358
<b>F-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Distribution Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>05/08/18</b>	<b>05/08/17</b>
Group 1	1.4999	—	1.4999	0.8251
Group 2	—	1.4999	1.4999	0.8251
<b>F-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Accumulation Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>05/08/18</b>	<b>05/08/17</b>
Group 1	2.3794	—	2.3794	1.2265
Group 2	—	2.3794	2.3794	1.2265
<b>I-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Distribution Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>05/08/18</b>	<b>05/08/17</b>
Group 1	1.5441	—	1.5441	0.8562
Group 2	1.0440	0.5001	1.5441	0.8562
<b>I-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Accumulation Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>05/08/18</b>	<b>05/08/17</b>
Group 1	2.5119	—	2.5119	1.3079
Group 2	1.3599	1.1520	2.5119	1.3079
<b>C-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Accumulation Units<sup>1</sup></b>	<b>Revenue</b>	<b>Equalisation</b>	<b>05/08/18</b>	<b>N/A</b>
Group 1	1.2175	—	1.2175	—
Group 2	—	1.2175	1.2175	—
<b>X-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Distribution Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>05/08/18</b>	<b>05/08/17</b>
Group 1	1.5532	—	1.5532	0.8612
Group 2	0.3326	1.2206	1.5532	0.8612
<b>X-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Accumulation Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>05/08/18</b>	<b>05/08/17</b>
Group 1	2.8137	—	2.8137	1.4649
Group 2	1.2915	1.5222	2.8137	1.4649
<b>L-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Distribution Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>05/08/18</b>	<b>05/08/17</b>
Group 1	1.6422	—	1.6422	0.9307
Group 2	1.2016	0.4406	1.6422	0.9307

<sup>1</sup> C-Class units launched on 12 March 2018.

In the above table, a distribution pay rate of N/A denotes that the Classes were not in existence as at the applicable XD date, and therefore no distribution payment was made.

## Distribution Tables continued

Final Interest distribution in pence per unit			Period	
			06/06/18	to 05/09/18
<b>R-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Distribution Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>05/11/18</b>	<b>05/11/17</b>
Group 1	1.0430	—	1.0430	1.0395
Group 2	0.0291	1.0139	1.0430	1.0395
<b>R-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Accumulation Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>05/11/18</b>	<b>05/11/17</b>
Group 1	1.6804	—	1.6804	1.5576
Group 2	0.1854	1.4950	1.6804	1.5576
<b>F-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Distribution Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>05/11/18</b>	<b>05/11/17</b>
Group 1	1.1039	—	1.1039	1.1008
Group 2	—	1.1039	1.1039	1.1008
<b>F-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Accumulation Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>05/11/18</b>	<b>05/11/17</b>
Group 1	1.7985	—	1.7985	1.6628
Group 2	—	1.7985	1.7985	1.6628
<b>I-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Distribution Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>05/11/18</b>	<b>05/11/17</b>
Group 1	1.1427	—	1.1427	1.1376
Group 2	0.2540	0.8887	1.1427	1.1376
<b>I-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Accumulation Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>05/11/18</b>	<b>05/11/17</b>
Group 1	1.9113	—	1.9113	1.7623
Group 2	0.5954	1.3159	1.9113	1.7623
<b>C-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Accumulation Units<sup>1</sup></b>	<b>Revenue</b>	<b>Equalisation</b>	<b>05/11/18</b>	<b>N/A</b>
Group 1	0.9975	—	0.9975	—
Group 2	—	0.9975	0.9975	—
<b>X-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Distribution Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>05/11/18</b>	<b>05/11/17</b>
Group 1	1.1495	—	1.1495	1.1440
Group 2	0.0361	1.1134	1.1495	1.1440
<b>X-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Accumulation Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>05/11/18</b>	<b>05/11/17</b>
Group 1	2.1411	—	2.1411	1.9746
Group 2	0.1757	1.9654	2.1411	1.9746
<b>L-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Distribution Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>05/11/18</b>	<b>05/11/17</b>
Group 1	1.2261	—	1.2261	1.2216
Group 2	1.1035	0.1226	1.2261	1.2216

<sup>1</sup> C-Class units launched on 12 March 2018.

In the above table, a distribution pay rate of N/A denotes that the Classes were not in existence as at the applicable XD date, and therefore no distribution payment was made.

## Fund Information

The Comparative Tables on pages 45 to 54 give the performance of each active share class in the Fund.

The 'Return after charges' disclosed in the Comparative Tables is calculated as the return after operating charges per unit divided by the opening net asset value per unit. It differs from the Fund's performance disclosed in the Manager's report, which is calculated based on the latest published price.

Portfolio transaction costs are incurred when investments are bought or sold by a fund in order to achieve the investment objective. These transaction costs affect an investor in different ways depending on whether they are joining, leaving or continuing with their investment in the Fund.

Direct transaction costs include broker commission and taxes. Broker commission includes the fee paid to a broker to execute the trades and research costs.

In addition, there are indirect portfolio transaction costs arising from the 'dealing spread' – the difference between the buying and selling prices of underlying investments in the portfolio. Unlike shares whereby broker commissions and stamp duty are paid by a fund on each transaction, other types of investments (such as bonds, money instruments, derivatives, collective investment schemes) do not have separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and money market sentiment.

## Fund Information continued

### Comparative Tables

#### R-Class Distribution Units

##### Change in Net Asset Value per Unit

Accounting Year ending	05/09/18 (pence per unit)	05/09/17 (pence per unit)	05/09/16 (pence per unit)
Opening net asset value per unit	57.76	62.25	65.18
Return before operating charges*	(0.14)	(0.23)	0.56
Operating charges (calculated on average price)	(0.81)	(0.85)	(0.90)
Return after operating charges*	(0.95)	(1.08)	(0.34)
Distributions on income units <sup>^</sup>	(4.11)	(3.41)	(2.59)
Closing net asset value per unit	52.70	57.76	62.25
* after direct transaction costs of:	—	—	—

#### Performance

Return after charges	(1.64)%	(1.73)%	(0.52)%
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#### Other Information

Closing net asset value (£)	2,290,429	3,398,044	7,075,455
Closing number of units	4,346,254	5,882,996	11,367,045
Operating charges <sup>†</sup>	1.42%	1.42%	1.42%
Direct transaction costs	0.00%	0.00%	0.00%

#### Prices

Highest unit price	60.02p	64.42p	67.75p
Lowest unit price	52.60p	58.07p	61.80p

<sup>^</sup> Distributions on income units are shown gross of taxation.

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## Fund Information continued

### Comparative Tables continued

#### R-Class Accumulation Units

#### Change in Net Asset Value per Unit

Accounting Year ending	05/09/18 (pence per unit)	05/09/17 (pence per unit)	05/09/16 (pence per unit)
Opening net asset value per unit	88.11	89.83	91.00
Return before operating charges*	(0.27)	(0.30)	0.84
Operating charges (calculated on average price)	(1.26)	(1.25)	(1.27)
Return after operating charges*	(1.53)	(1.55)	(0.43)
Distributions <sup>^</sup>	(6.44)	(5.01)	(3.67)
Retained distributions on accumulation units <sup>^</sup>	6.44	4.84	2.93
Closing net asset value per unit	86.58	88.11	89.83
* after direct transaction costs of:	—	—	—

#### Performance

Return after charges	(1.74)%	(1.73)%	(0.47)%
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#### Other Information

Closing net asset value (£)	18,480,131	23,572,715	34,812,665
Closing number of units	21,345,184	26,752,755	38,752,450
Operating charges <sup>†</sup>	1.42%	1.42%	1.42%
Direct transaction costs	0.00%	0.00%	0.00%

#### Prices

Highest unit price	91.84p	92.88p	94.59p
Lowest unit price	84.73p	86.66p	88.31p

<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.

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## Fund Information continued

### Comparative Tables continued

#### F-Class Distribution Units

##### Change in Net Asset Value per Unit

Accounting Year ending	05/09/18 (pence per unit)	05/09/17 (pence per unit)	05/09/16 (pence per unit)
Opening net asset value per unit	58.99	63.41	66.22
Return before operating charges*	(0.12)	(0.22)	0.58
Operating charges (calculated on average price)	(0.53)	(0.56)	(0.59)
Return after operating charges*	(0.65)	(0.78)	(0.01)
Distributions on income units <sup>^</sup>	(4.35)	(3.64)	(2.80)
Closing net asset value per unit	53.99	58.99	63.41
* after direct transaction costs of:	—	—	—

#### Performance

Return after charges	(1.10)%	(1.23)%	(0.02)%
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#### Other Information

Closing net asset value (£)	39,596	49,365	60,108
Closing number of units	73,345	83,687	94,799
Operating charges <sup>†</sup>	0.92%	0.92%	0.92%
Direct transaction costs	0.00%	0.00%	0.00%

#### Prices

Highest unit price	61.40p	63.71p	66.83p
Lowest unit price	53.83p	59.25p	62.94p

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## Fund Information continued

### Comparative Tables continued

#### F-Class Accumulation Units

#### Change in Net Asset Value per Unit

Accounting Year ending	05/09/18 (pence per unit)	05/09/17 (pence per unit)	05/09/16 (pence per unit)
Opening net asset value per unit	90.89	92.21	92.99
Return before operating charges*	(0.30)	(0.30)	0.86
Operating charges (calculated on average price)	(0.84)	(0.83)	(0.84)
Return after operating charges*	(1.14)	(1.13)	0.02
Distributions <sup>^</sup>	(6.89)	(5.39)	(3.99)
Retained distributions on accumulation units <sup>^</sup>	6.89	5.20	3.19
Closing net asset value per unit	89.75	90.89	92.21
* after direct transaction costs of:	—	—	—

#### Performance

Return after charges	(1.25)%	(1.23)%	0.02%
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#### Other Information

Closing net asset value (£)	62,810	68,553	83,461
Closing number of units	69,986	75,428	90,514
Operating charges <sup>†</sup>	0.92%	0.92%	0.92%
Direct transaction costs	0.00%	0.00%	0.00%

#### Prices

Highest unit price	94.90p	92.56p	93.85p
Lowest unit price	87.76p	89.07p	90.45p

<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.

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## Fund Information continued

### Comparative Tables continued

#### I-Class Distribution Units

##### Change in Net Asset Value per Unit

Accounting Year ending	05/09/18 (pence per unit)	05/09/17 (pence per unit)	05/09/16 (pence per unit)
Opening net asset value per unit	59.84	64.23	67.00
Return before operating charges*	(0.16)	(0.23)	0.59
Operating charges (calculated on average price)	(0.37)	(0.39)	(0.41)
Return after operating charges*	(0.53)	(0.62)	0.18
Distributions on income units <sup>^</sup>	(4.50)	(3.77)	(2.95)
Closing net asset value per unit	54.81	59.84	64.23
* after direct transaction costs of:	—	—	—

#### Performance

Return after charges	(0.89)%	(0.97)%	0.27%
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#### Other Information

Closing net asset value (£)	69,229,677	147,620,233	324,980,803
Closing number of units	126,317,091	246,707,103	505,992,271
Operating charges <sup>†</sup>	0.63%	0.63%	0.63%
Direct transaction costs	0.00%	0.00%	0.00%

#### Prices

Highest unit price	62.24p	64.53p	67.62p
Lowest unit price	54.69p	60.12p	63.74p

<sup>^</sup> Distributions on income units are shown gross of taxation.

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## Fund Information continued

### Comparative Tables continued

#### I-Class Accumulation Units

##### Change in Net Asset Value per Unit

Accounting Year ending	05/09/18 (pence per unit)	05/09/17 (pence per unit)	05/09/16 (pence per unit)
Opening net asset value per unit	94.46	95.56	96.12
Return before operating charges*	(0.31)	(0.30)	0.90
Operating charges (calculated on average price)	(0.60)	(0.59)	(0.60)
Return after operating charges*	(0.91)	(0.89)	0.30
Distributions <sup>^</sup>	(7.31)	(5.73)	(4.29)
Retained distributions on accumulation units <sup>^</sup>	7.31	5.52	3.43
Closing net asset value per unit	93.55	94.46	95.56
* after direct transaction costs of:	—	—	—

#### Performance

Return after charges	(0.96)%	(0.93)%	0.31%
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#### Other Information

Closing net asset value (£)	74,870,342	109,258,342	203,839,229
Closing number of units	80,031,937	115,669,512	213,302,374
Operating charges <sup>†</sup>	0.63%	0.63%	0.63%
Direct transaction costs	0.00%	0.00%	0.00%

#### Prices

Highest unit price	98.73p	95.93p	97.02p
Lowest unit price	91.43p	92.38p	93.58p

<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.

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## Fund Information continued

### Comparative Tables continued

#### C-Class Accumulation Units

##### Change in Net Asset Value per Unit

Accounting Year ending	12/03/18 to 05/09/18 <sup>1</sup> (pence per unit)
Opening net asset value per unit	50.00
Return before operating charges*	(1.38)
Operating charges (calculated on average price)	(0.12)
Return after operating charges*	(1.50)
Distributions <sup>^</sup>	(2.22)
Retained distributions on accumulation units <sup>^</sup>	2.22
Closing net asset value per unit	48.50
* after direct transaction costs of:	—

#### Performance

Return after charges	(3.00)%
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#### Other Information

Closing net asset value (£)	970
Closing number of units	2,000
Operating charges <sup>†</sup>	0.50%
Direct transaction costs	0.00%

#### Prices

Highest unit price	50.18p
Lowest unit price	47.39p

<sup>1</sup> C-Class Units launched on 12 March 2018.

<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.

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## Fund Information continued

### Comparative Tables continued

#### X-Class Distribution Units

#### Change in Net Asset Value per Unit

Accounting Year ending	05/09/18 (pence per unit)	05/09/17 (pence per unit)	05/09/16 (pence per unit)
Opening net asset value per unit	60.18	64.63	67.44
Return before operating charges*	(0.15)	(0.26)	0.57
Operating charges (calculated on average price)	(0.37)	(0.39)	(0.41)
Return after operating charges*	(0.52)	(0.65)	0.16
Distributions on income units <sup>^</sup>	(4.53)	(3.80)	(2.97)
Closing net asset value per unit	55.13	60.18	64.63
* after direct transaction costs of:	—	—	—

#### Performance

Return after charges	(0.86)%	(1.01)%	0.24%
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#### Other Information

Closing net asset value (£)	21,669,914	47,099,874	96,118,656
Closing number of units	39,307,567	78,270,156	148,727,672
Operating charges <sup>†</sup>	0.63%	0.63%	0.63%
Direct transaction costs	0.00%	0.00%	0.00%

#### Prices

Highest unit price	62.61p	64.95p	68.08p
Lowest unit price	55.01p	60.48p	64.23p

<sup>^</sup> Distributions on income units are shown gross of taxation.

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## Fund Information continued

### Comparative Tables continued

#### X-Class Accumulation Units

#### Change in Net Asset Value per Unit

Accounting Year ending	05/09/18 (pence per unit)	05/09/17 (pence per unit)	05/09/16 (pence per unit)
Opening net asset value per unit	105.80	106.83	106.54
Return before operating charges*	(0.35)	(0.37)	0.96
Operating charges (calculated on average price)	(0.67)	(0.66)	(0.67)
Return after operating charges*	(1.02)	(1.03)	0.29
Distributions <sup>^</sup>	(8.19)	(6.42)	(4.77)
Retained distributions on accumulation units <sup>^</sup>	8.19	6.42	4.77
Closing net asset value per unit	104.78	105.80	106.83
* after direct transaction costs of:	—	—	—

#### Performance

Return after charges	(0.96)%	(0.96)%	0.27%
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#### Other Information

Closing net asset value (£)	3,211,043	6,901,517	13,288,834
Closing number of units	3,064,618	6,523,214	12,439,286
Operating charges <sup>†</sup>	0.63%	0.63%	0.63%
Direct transaction costs	0.00%	0.00%	0.00%

#### Prices

Highest unit price	110.50p	107.40p	107.70p
Lowest unit price	102.50p	103.50p	104.10p

<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.

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## Fund Information continued

### Comparative Tables continued

#### L-Class Distribution Units

#### Change in Net Asset Value per Unit

Accounting Year ending	05/09/18 (pence per unit)	05/09/17 (pence per unit)	05/09/16 (pence per unit)
Opening net asset value per unit	61.73	66.07	68.71
Return before operating charges*	(0.16)	(0.25)	0.61
Operating charges (calculated on average price)	(0.02)	(0.02)	(0.02)
Return after operating charges*	(0.18)	(0.27)	0.59
Distributions on income units <sup>^</sup>	(4.84)	(4.07)	(3.23)
Closing net asset value per unit	56.71	61.73	66.07
* after direct transaction costs of:	—	—	—

#### Performance

Return after charges	(0.29)%	(0.41)%	0.86%
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#### Other Information

Closing net asset value (£)	126,370,187	146,696,479	217,140,581
Closing number of units	222,819,945	237,642,106	328,674,856
Operating charges <sup>†</sup>	0.03%	0.03%	0.03%
Direct transaction costs	0.00%	0.00%	0.00%

#### Prices

Highest unit price	64.27p	66.38p	69.35p
Lowest unit price	56.58p	62.00p	65.53p

<sup>^</sup> Distributions on income units are shown gross of taxation.

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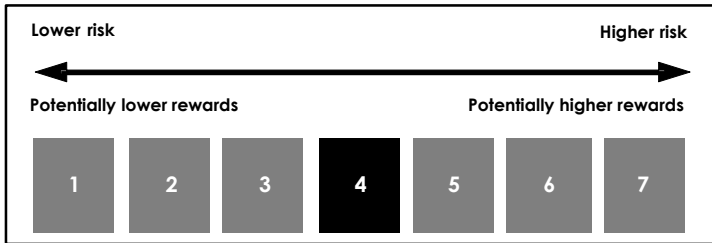
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## Risk and Reward Profile (unaudited)



- 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 number highlighted above reflects the higher of (1) the rate at which the Fund's unit price could move up and down based on the Fund's performance target and internal risk limit, or (2) the rate at which a representative mix of the underlying investments has moved up and down in the past. If the Fund has at least five years' track record, the number could instead reflect the rate at which the Fund's unit price has moved up and down in the past, but only when this would put the Fund in a higher category. Higher numbers mean the potential reward could be greater, but this comes with increased risk of losing money. For information about the Fund's performance target, please see the Fund's factsheet at [www.lgim.com](http://www.lgim.com).
- The Fund is in category four because it invests in company or government bonds which are sensitive to changes in interest rates, inflation and credit. This can be driven by political and economic changes and other significant events and may cause the value to go up and down. Bonds that are closer to their maturity date tend to be more stable in value. Bonds are generally considered to be higher risk investments than cash, but lower risk than 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.

## General Information (unaudited)

### Constitution

Launch date:	1 May 2007
Period end dates for distributions:	5 March, June, September, December
Distribution dates:	5 February, May, August, November
Minimum initial lump sum investment:	R-Class £100 F-Class* £500 I-Class £1,000,000 C-Class** £50,000,000 X-Class*** £1,000,000 L-Class^ £100,000
Valuation point:	3pm
Fund management fees:	R-Class Annual 1.42% F-Class* Annual 0.92% I-Class Annual 0.63% C-Class** Annual 0.50% X-Class*** Annual 0.63% L-Class^ Annual 0.03%
Initial charges:	R-Class Nil F-Class* Nil I-Class Nil C-Class** Nil X-Class*** Nil L-Class^ Nil

\* F-Class units are only available to:

- (i) investors who have received advice from authorised intermediaries, platforms or other distributors in relation to their investment in units in the Fund and
- (ii) distributors who the **Manager** reasonably considers will adequately bear the costs of marketing to and acquiring investors at no or limited cost to the **Manager**, and to whom the **Manager** has confirmed that such distributor or investor meets the criteria for investment in such units.

\*\* 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.

\*\*\* X-Class units are gross units which are only available to investors who are eligible to invest in gross units and who have completed a satisfactory Declaration of Eligibility and Undertaking.

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

## General Information (unaudited) continued

### Pricing and Dealing

The prices are published on the internet at [www.legalandgeneral.com/investments/fund-information/daily-fund-prices](http://www.legalandgeneral.com/investments/fund-information/daily-fund-prices) immediately after they become available.

Dealing in units takes place on a forward pricing basis, from 8:30am to 6:00pm, Monday to Friday.

### Buying and Selling Units

Units may be bought on any business day from the Manager or through a financial adviser by completing an application form or on the internet at [www.legalandgeneral.com](http://www.legalandgeneral.com). Units may normally be sold back to the Manager on any business day at the bid price calculated at the following valuation point.

### ISA Status

This Fund may be held within this tax advantaged savings arrangement. The favourable tax treatment of ISAs may not be maintained. For full written information, please contact your usual financial adviser or ring 0370 050 0955.

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

### Prospectus and Manager's Reports

The Manager will send to all persons on the Unitholder Register annual and interim short form reports.

Copies of the Prospectus and the most recent annual or interim reports are available free of charge by telephoning 0370 050 0955 or by writing to the Manager.

Do you have difficulty in reading information in print because of a disability? If so, we can help. We are able to produce information for our clients in large print and braille. If you would like to discuss your particular requirements, please contact us on 0370 050 0955.

### 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. 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, though the size of any return will be dependent on the size of subscriptions and redemptions.

## General Information (unaudited) continued

### Remuneration Disclosure

In accordance with the Undertakings for collective investment in transferable securities (UCITs) Directive, often referred to as the UCITs V Directive, the Legal & General Dynamic Bond Fund, as a UCITs Scheme, is required to disclose the aggregate remuneration paid by the UCITs Manager and by the UCITs Scheme to Identified Staff, together with the number of beneficiaries, and, where relevant, performance fees paid by the UCITs Scheme. The aggregate amount of remuneration must be broken down by category of employees or other staff members and be split into fixed and variable remuneration.

The following provides information on the remuneration of persons whose professional activities have a material impact on the management company and the funds managed by it:

### Controlled Functions

Headcount	Fixed Remuneration (£'000)	Variable Remuneration (£'000)	Remuneration related to this Fund (Pro-rated) (£'000)
32	6,726	11,997	173

### Material Risk Takers

Headcount	Fixed Remuneration (£,000)	Variable Remuneration (£'000)	Remuneration related to this Fund (Pro-rated) (£'000)
54	6,995	8,712	45

### Controlled Functions

As at 31 December 2017, Legal & General Unit Trust Managers Limited (UTM) engaged the services of six employees of Legal & General Investment Management (Holdings) Limited (LGIMH), plus a further two employees of Legal & General Resources (LGR) to act as Directors. In addition, there was one non-executive Director. UTM also engaged the services of a further 20 LGIMH employees and a further three L&G Resources (LGR) employees to act in a variety of Controlled Functions, including Chief Compliance Officer, Money Laundering Reporting Officer, Client Asset Oversight, Systems and Controls Functions, Significant Management Functions and Customer Functions. These employees were also engaged by other companies in the L&G Group. The aggregate remuneration received by these individuals, for all their services across the L&G Group, is disclosed in the table above. We have prorated the remuneration figures by the Net Asset Value of the UCITS Funds as a percentage of the total assets under management of UTM.

## General Information (unaudited) continued

### Material Risk Takers

As at the 31 December 2017, UTM engaged the services of Legal & General Investment Management's Fixed Income Fund Management team, which consists of 54 investment professionals located in our London Office. The team includes a variety of Fund Managers, Analysts and Support Staff, with the Fund Managers empowered to take discretionary investment management decisions on behalf of the Fund. The team is also engaged in managing other Legal & General UTM Funds/Schemes and is also engaged by other companies in the L&G Group. The aggregate remuneration received by the members of the team, for all their services across the L&G Group, is disclosed in the table above. We have prorated the remuneration figures by the Net Asset Value of the UCITS Funds as a percentage of the total assets under management of the Fixed Income Fund Management team.

### Significant Changes

#### New Unit Class: C-Class

With effect from 12 March 2018, C-Class units have launched with accumulation units available.

#### Change of Fund Name

With effect from 9 July 2018, the Fund changed its name from the Legal & General Dynamic Bond Trust to the Legal & General Dynamic Bond Fund.

#### Change of Valuation Point

With effect from 9 July 2018, the Fund's valuation point has changed from midday to 3pm.

#### Change of Investment Policy

With effect from 9 July 2018, the Fund's Investment Policy has changed, please see page 2 for the Fund's Investment Policy wording.

#### Change of Auditor

With effect from 28 April 2018, PricewaterhouseCoopers LLP ceased to be Independent Auditors of the Fund and KPMG LLP have been appointed. The change of Auditor has no impact on the way the Fund is operated.

### General Data Protection Regulation (GDPR)

Legal & General takes your privacy very seriously. Under data protection legislation, we have classified ourselves as a 'data controller'. This means that we are subject to certain obligations relating to how we process personal data. These obligations include, without limitation, providing individuals with certain information regarding how we process their personal data.

We will use the personal data you have provided to us in connection with an investment in units of Legal & General Dynamic Bond Fund, including your name, age, contact details, bank account details, transactions and the invested amount, and any information regarding the dealing in units in accordance with all applicable data protection laws and our Privacy Policy which is available from 25 May 2018 at [www.lgim.com/UTMprivacy](http://www.lgim.com/UTMprivacy) (or available upon request). Our Privacy Policy sets out, amongst other things, the purpose or purposes for which your personal data is collected and intended to be processed and also contains any other information prescribed by data protection legislation.

## General Information (unaudited) continued

### 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

### Directors of the Manager

R. M. Bartley  
A. J. C. Craven  
S. Hynes  
H. Morrissey  
H. Solomon  
S. D. Thomas (resigned 17 October 2018)  
L. W. Toms  
A. R. Toutouchi\*  
M. J. Zinkula

\*Non-executive Director

### Secretary

J. McCarthy

### Registrar

Legal & General (Unit Trust Managers) Limited  
P.O. Box 6080,  
Wolverhampton WV1 9RB  
Authorised and regulated by the Financial Conduct Authority

Dealing: 0370 050 0956  
Enquiries: 0370 050 0955  
Registration: 0370 050 0955

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

### Trustee

Northern Trust Global Services SE  
Trustee and Depositary Services  
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

KPMG LLP  
15 Canada Square,  
London E14 5GL

### Investment Adviser

Legal & General Investment Management Limited  
One Coleman Street,  
London EC2R 5AA  
Authorised and regulated by the Financial Conduct Authority



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

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

