

Legal & General Short Dated
Sterling Corporate Bond Index Fund

**Annual Manager's
Short Report
for the year ended
15 February 2019**



Investment Objective and Policy

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

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

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

The Fund may hold derivatives for the purpose of Efficient Portfolio Management.

Risk Profile

Credit Risk

This Fund is invested in financial securities such as bonds.

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

Market Risk

Market risk arises mainly from uncertainty about future prices.

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

Interest Rate Risk

This Fund is invested in interest bearing securities.

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

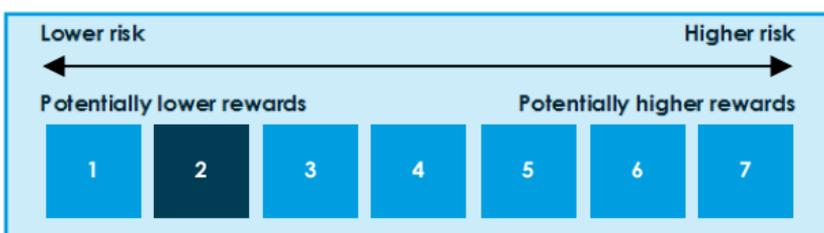
Fund Facts

Period End Dates for Distributions:	15 Feb, 15 Aug	
Distribution Dates:	15 Apr, 15 Oct	
Ongoing Charges Figures:	15 Feb 19	15 Feb 18
I-Class	0.14%	0.14%
C-Class	0.09%	0.09%
L-Class	0.05%	0.05%

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

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

Risk and Reward Profile



- The Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is not guaranteed to remain the same and may change over time. It is based on historical data and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table above shows the Fund's ranking on the Risk and Reward Indicator.
- The Fund is in category two 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.
- Even a fund in the lowest category is not a risk free investment.

Distribution Information

I-Class

The distribution payable on 15 April 2019 is 0.5289p per unit for distribution units and 0.5808p per unit for accumulation units.

C-Class

The distribution payable on 15 April 2019 is 0.5301p per unit for distribution units and 0.5820p per unit for accumulation units.

L-Class

The distribution payable on 15 April 2019 is 0.5313p per unit for distribution units.

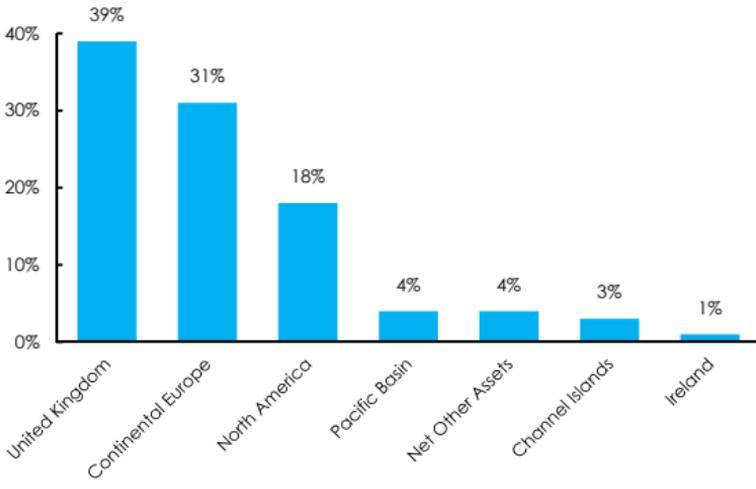
Portfolio Information

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

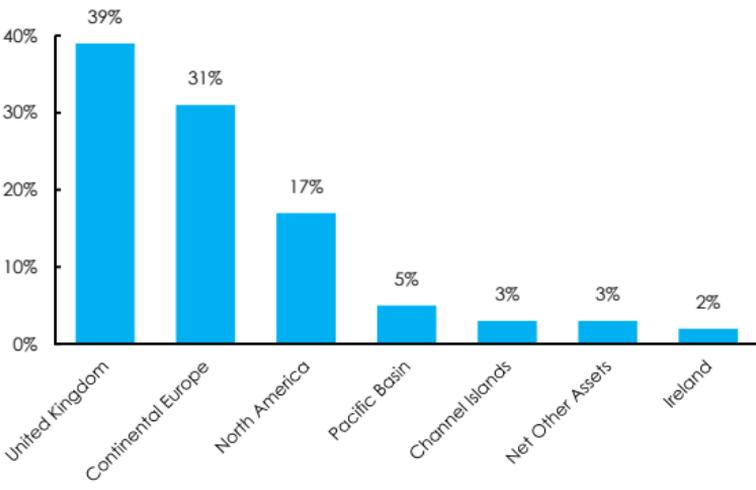
Top 10 Holdings at 15 February 2019		Top 10 Holdings at 15 February 2018	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
Barclays Bank 10% 21/05/2021	1.62%	Barclays Bank 10% 21/05/2021	2.03%
Barclays 3.125% 17/01/2024	1.03%	Barclays 2.375% 06/10/2023	1.26%
Barclays 2.375% 06/10/2023	1.01%	Imperial Brands Finance 9% 17/02/2022	1.08%
Scottish Widows 5.5% 16/06/2023	0.86%	UBS 1.25% 10/12/2020	0.92%
Imperial Brands Finance 9% 17/02/2022	0.83%	Wells Fargo 2.125% 22/04/2022	0.91%
Cooperatieve Rabobank 2.25% 23/03/2022	0.81%	Deutsche Telekom International Finance 6.5% 08/04/2022	0.87%
		Western Power Distribution East Midlands 5.25% 17/01/2023	0.81%
UBS 1.25% 10/12/2020	0.73%	Investec Bank 9.625% 17/02/2022	0.77%
Telefonica Emisiones 5.289% 09/12/2022	0.72%	Credit Suisse Group Funding Guernsey 3% 27/05/2022	0.77%
Wells Fargo 2.125% 20/12/2023	0.70%	E.ON International Finance 6% 30/10/2019	0.74%
SSE 3.875% Open Maturity	0.67%		

Holdings with a maturity date greater than 5 years from 15 February 2019 are 'callable' by the issuer within the next 5 years and are therefore likely to mature before the final maturity date shown.

Fund Holdings as at 15 February 2019



Fund Holdings as at 15 February 2018



Comparative Tables

I-Class Distribution Units

Change in Net Asset Value per Unit

Accounting Year ending	15/02/19 (pence per unit)	15/02/18 (pence per unit)	15/02/17 (pence per unit)
Opening net asset value per unit	50.45	50.95	49.33
Return before operating charges*	0.89	0.62	2.98
Operating charges (calculated on average price)	(0.07)	(0.07)	(0.07)
Return after operating charges*	0.82	0.55	2.91
Distributions on income units [^]	(1.08)	(1.05)	(1.29)
Closing net asset value per unit	50.19	50.45	50.95
* after direct transaction costs of:	—	—	—

Performance

Return after charges	1.63%	1.08%	5.90%
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Other Information

Closing net asset value (£)	185,232,972	102,255,479	68,177,676
Closing number of units	369,055,185	202,670,660	133,815,312
Operating charges [†]	0.14%	0.14%	0.14%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest unit price	51.18p	52.03p	51.99p
Lowest unit price	50.10p	50.97p	49.37p

[^] Distributions on income units are shown gross of taxation.

[†] Operating charges, otherwise known as the OCF is the ratio of the Fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Fund.

Past performance is not a guide to future performance.

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

Comparative Tables continued

I-Class Accumulation Units

Change in Net Asset Value per Unit

Accounting Year ending	15/02/19 (pence per unit)	15/02/18 (pence per unit)	15/02/17 (pence per unit)
Opening net asset value per unit	54.81	54.23	51.33
Return before operating charges*	0.97	0.66	3.11
Operating charges (calculated on average price)	(0.08)	(0.08)	(0.07)
Return after operating charges*	0.89	0.58	3.04
Distributions [^]	(1.18)	(1.12)	(1.35)
Retained distributions on accumulation units [^]	1.18	1.12	1.21
Closing net asset value per unit	55.70	54.81	54.23
* after direct transaction costs of:	—	—	—

Performance

Return after charges	1.62%	1.07%	5.92%
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Other Information

Closing net asset value (£)	476,217,757	253,475,294	103,070,462
Closing number of units	854,969,631	462,478,733	190,077,925
Operating charges [†]	0.14%	0.14%	0.14%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest unit price	55.91p	55.52p	54.41p
Lowest unit price	54.80p	54.25p	51.38p

[^] Distributions are shown gross of taxation. The amounts shown for 'Retained distributions on accumulation units' are net of 20% income tax, except for the 2017 final distribution, which are paid on a gross basis.

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Past performance is not a guide to future performance.

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

Comparative Tables continued

C-Class Distribution Units

Change in Net Asset Value per Unit

Accounting Year ending	15/02/19 (pence per unit)	15/02/18 (pence per unit)	15/02/17 (pence per unit)
Opening net asset value per unit	50.55	51.02	49.38
Return before operating charges*	0.89	0.63	2.98
Operating charges (calculated on average price)	(0.05)	(0.05)	(0.05)
Return after operating charges*	0.84	0.58	2.93
Distributions on income units [^]	(1.08)	(1.05)	(1.29)
Closing net asset value per unit	50.31	50.55	51.02
* after direct transaction costs of:	—	—	—

Performance

Return after charges	1.66%	1.14%	5.93%
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Other Information

Closing net asset value (£)	28,088,863	43,588,751	35,749,130
Closing number of units	55,828,279	86,228,081	70,067,497
Operating charges [†]	0.09%	0.09%	0.09%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest unit price	51.29p	52.11p	52.05p
Lowest unit price	50.22p	51.05p	49.41p

[^] Distributions on income units are shown gross of taxation.

[†] Operating charges, otherwise known as the OCF is the ratio of the Fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Fund.

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

Comparative Tables continued

C-Class Accumulation Units

Change in Net Asset Value per Unit

Accounting Year ending	15/02/19 (pence per unit)	15/02/18 (pence per unit)	15/02/17 (pence per unit)
Opening net asset value per unit	54.90	54.29	51.37
Return before operating charges*	0.97	0.66	3.11
Operating charges (calculated on average price)	(0.05)	(0.05)	(0.05)
Return after operating charges*	0.92	0.61	3.06
Distributions [^]	(1.18)	(1.12)	(1.35)
Retained distributions on accumulation units [^]	1.18	1.12	1.21
Closing net asset value per unit	55.82	54.90	54.29
* after direct transaction costs of:	—	—	—

Performance

Return after charges	1.68%	1.12%	5.96%
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Other Information

Closing net asset value (£)	351,399,968	214,244,212	179,161,936
Closing number of units	629,495,717	390,229,876	329,999,671
Operating charges [†]	0.09%	0.09%	0.09%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest unit price	56.04p	55.61p	54.48p
Lowest unit price	54.89p	54.31p	51.41p

[^] Distributions are shown gross of taxation. The amounts shown for 'Retained distributions on accumulation units' are net of 20% income tax, except for the 2017 final distribution, which are paid on a gross basis.

[†] Operating charges, otherwise known as the OCF is the ratio of the Fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Fund.

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

Comparative Tables continued

L-Class Distribution Units

Change in Net Asset Value per Unit

Accounting Year ending	15/02/19 (pence per unit)	15/02/18 (pence per unit)	15/02/17 (pence per unit)
Opening net asset value per unit	50.64	51.10	49.43
Return before operating charges*	0.90	0.62	2.99
Operating charges (calculated on average price)	(0.03)	(0.03)	(0.03)
Return after operating charges*	0.87	0.59	2.96
Distributions on income units [^]	(1.08)	(1.05)	(1.29)
Closing net asset value per unit	50.43	50.64	51.10
* after direct transaction costs of:	—	—	—

Performance

Return after charges	1.72%	1.15%	5.98%
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Other Information

Closing net asset value (£)	103,866,319	89,038,588	53,370,474
Closing number of units	205,974,509	175,809,821	104,453,181
Operating charges [†]	0.05%	0.05%	0.05%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest unit price	51.39p	52.20p	52.11p
Lowest unit price	50.33p	51.12p	49.47p

[^] Distributions on income units are shown gross of taxation.

[†] Operating charges, otherwise known as the OCF is the ratio of the Fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Fund.

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Manager's Investment Report

During the year under review, the bid price of the Fund's I-Class accumulation units rose by 1.62%. Markit iBoxx, the Index compiler, calculates the benchmark Index at the end of the business day using closing prices, whereas the Fund is valued using prevailing prices at 12 noon. Therefore, for tracking purposes the Fund has been revalued using closing prices. On this basis over the review year, the Fund performance was 1.65%, compared with the Index performance of 1.59%, producing a tracking difference of +0.06%.

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Market Review

Although the global economy remains on track for another year of solid growth, growth became less synchronised and more uneven across countries and regions with some loss of momentum in recent months. Worldwide, inflationary pressures have remained subdued by historical standards. Having risen to its highest level in four years in early October, the oil price (Brent crude) declined sharply to just over \$50 per barrel in December, its lowest level for 15 months, driven by increased levels of supply, notably US inventories.

In the UK, both economic and political uncertainty have heightened over the last 12 months, with precariousness as to the outcome of Brexit negotiations and the implications for trade with the EU. Although the UK government negotiated a draft withdrawal agreement with the EU, it is highly uncertain whether this will receive the consent of Parliament. While the UK GDP grew at its slowest pace for six years during the first quarter of 2018, subsequently the economy has picked up, underpinned by consumer demand and exports.

Although inflation has remained above the Bank of England's (BoE) 2% target, index-linked gilts underperformed conventional securities as inflationary pressures eased. Corporate bonds have struggled to make headway on concerns about the impact of weaker UK economic growth on earnings and uncertainty over the outcome of Brexit negotiations.

Manager's Investment Report continued

During December, a slide in global equities prompted 'safe haven' switching into government bonds. However, high quality Sterling corporate bonds underperformed compared to gilts during the month, with 2018's total return of -2.0% marking investment grade Sterling credit's worst full-year performance since 2008. However, more recently, Sterling credit markets reversed their late-2018 declines, with spreads narrowing significantly in the insurance, capital goods and utilities sectors.

Fund Review

All investment activity was prompted either by unit holder activity or by monthly changes in the profile of the benchmark. During the year, 72 bonds were added to the Index whilst 59 bonds left the benchmark. The Fund participated in almost all new issue during the year as well as several corporate actions across a range of sectors and issuers.

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

Outlook

Looking ahead, the dovish shift from the Fed's Jerome Powell is clearly very important given the concerns we have about tightening liquidity conditions, particularly in the US. Even though valuations have recovered significantly since the start of the year, they are still far from the very expensive levels we saw at the start of 2018.

However, while the Fed rate hiking cycle has paused, they are still reducing the size of their balance sheet. In addition, we are concerned about weak activity data out of Europe and China, as policymakers there are unable or unwilling to react aggressively to counter this trend. Therefore, we retain our cautious longer-term outlook for credit markets.

The Fund remains well positioned to capture the performance of the Short-Dated Corporate Bond market.

Legal & General Investment Management Limited
(Investment adviser)
15 March 2019

Manager's Report and Accounts

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

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

Information on Tracking Error

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

Using monthly returns, over the review year, the annualised Tracking Error of the Fund is 0.05%, whilst over the last three years to the end of February 2019, the annualised Tracking Error of the Fund is 0.08%. These Tracking Errors are within the anticipated Tracking Error levels set out in the Fund's Prospectus of +/-0.50% per annum.

EU Savings Directive

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

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

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

Dual Pricing Arrangement

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

Minimum Investment Amounts

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

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

Class C units are available to certain eligible investors who meet the criteria for investment in such units as outlined in the share class policy of the Manager, which is available to investors in the C-Class upon request. Where investors in the C-Class no longer continue to meet the criteria for investment in such units, further investment in such units may not be permitted.

Class L units are not available to retail customers and are intended only for investment by Legal & General group of companies.

Other Information

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

Authorised Fund Manager

Legal & General (Unit Trust Managers) Limited

Registered in England and Wales No. 01009418

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London EC2R 5AA

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Authorised and regulated by the Financial Conduct Authority

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

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London E14 5GL

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Financial Conduct Authority**

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