

Legal & General
Sterling Corporate Bond Index Fund
**Annual Manager's
Short Report
for the year ended
20 May 2018**

**EVERY
DAY
MATTERS.®**



Investment Objective and Policy

The objective of this Fund is to track the performance of the Markit iBoxx Sterling Non-Gilts ex BBB Index (after adjustment for management charge and taxation).

The Fund will invest primarily in the securities that make up the constituents of the Markit iBoxx Sterling Non-Gilts ex BBB Index. Securities in the Markit iBoxx Sterling Non-Gilts ex BBB Index will be held with weightings generally proportionate to their issuance of debt.

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.

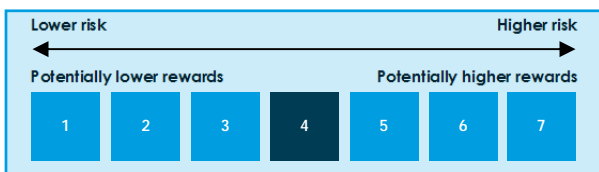
Fund Facts

Period End Dates for Distributions:	20 Feb, 20 May, 20 Aug and 20 Nov	
Distribution Dates:	20 Jan, 20 Apr, 20 Jul and 20 Oct	
Ongoing Charges Figures:	20 May 18	20 May 17
F-Class	0.37%	0.37%
I-Class	0.14%	0.14%
C-Class	0.09%	0.09%
L-Class	0.03%	0.03%

The Ongoing Charges Figure (OCF) is the ratio of the Fund's total discloseable 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



- 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 rate at which the Fund's unit price has moved up and down in the past. If the Fund has less than five years' track record, the number also reflects the rate at which the Index the Fund tracks has moved up and down in the past. Higher numbers mean the potential reward could be greater, but this comes with increased risk of losing money.
- The 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.

Distribution Information

F-Class

The distribution payable on 20 July 2018 is 0.2957p per unit for distribution units and 0.3350p per unit for accumulation units.

I-Class

The distribution payable on 20 July 2018 is 0.2959p per unit for distribution units and 0.3357p per unit for accumulation units.

C-Class

The distribution payable on 20 July 2018 is 0.2966p per unit for distribution units and 0.3360p per unit for accumulation units.

L-Class

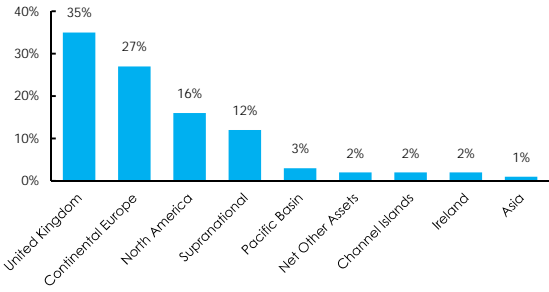
The distribution payable on 20 July 2018 is 0.2981p per unit for distribution units.

Portfolio Information

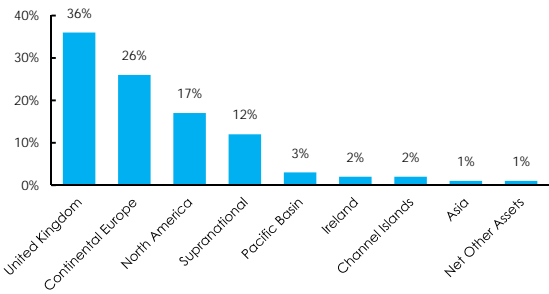
The top 10 holdings and their associated weighting at the current and preceding year ends were:

Top 10 Holdings at 20 May 2018		Top 10 Holdings at 20 May 2017	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
Kreditanstalt fuer Wiederaufbau 6% 07/12/2028	1.10%	Kreditanstalt fuer Wiederaufbau 6% 07/12/2028	1.26%
Kreditanstalt fuer Wiederaufbau 1.125% 23/12/2019	1.00%	European Investment Bank 1.5% 01/02/2019	1.19%
Kreditanstalt fuer Wiederaufbau 5.55% 07/06/2021	0.85%	Kreditanstalt fuer Wiederaufbau 1.125% 23/12/2019	1.09%
European Investment Bank 6% 07/12/2028	0.84%	European Investment Bank 6% 07/12/2028	0.88%
European Investment Bank 5.625% 07/06/2032	0.76%	European Investment Bank 5.625% 07/06/2032	0.86%
Kreditanstalt fuer Wiederaufbau 5.75% 07/06/2032	0.70%	Kreditanstalt fuer Wiederaufbau 5.55% 07/06/2021	0.82%
European Investment Bank 2.5% 31/10/2022	0.68%	European Investment Bank 5% 15/04/2039	0.65%
European Investment Bank 1.125% 07/09/2021	0.64%	Pfizer 6.5% 03/06/2038	0.63%
European Investment Bank 5% 15/04/2039	0.64%	European Investment Bank 5.375% 07/06/2021	0.62%
Electricite de France 6.125% 02/06/2034	0.56%	European Investment Bank 2.5% 31/10/2022	0.62%

Fund Holdings as at 20 May 2018



Fund Holdings as at 20 May 2017



Comparative Tables

F-Class Distribution Units

Change in Net Asset Value per Unit

Accounting Year ending	20/05/18 (pence per unit)	20/05/17 (pence per unit)	20/05/16 (pence per unit)
Opening net asset value per unit	56.36	53.10	52.50
Return before operating charges*	(0.58)	4.80	2.22
Operating charges (calculated on average price)	(0.21)	(0.21)	(0.20)
Return after operating charges*	(0.79)	4.59	2.02
Distributions on income units [^]	(1.22)	(1.33)	(1.42)
Closing net asset value per unit	54.35	56.36	53.10
* after direct transaction costs of:	—	—	—

Performance

Return after charges	(1.40)%	8.64%	3.85%
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Other Information

Closing net asset value (£)	1,086	1,126	1,061
Closing number of units	1,998	1,998	1,998
Operating charges [†]	0.37%	0.37%	0.38%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest unit price	57.35p	59.28p	54.25p
Lowest unit price	54.53p	53.20p	51.34p

[^] 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

F-Class Accumulation Units

Change in Net Asset Value per Unit

Accounting Year ending	20/05/18 (pence per unit)	20/05/17 (pence per unit)	20/05/16 (pence per unit)
Opening net asset value per unit	62.98	58.12	56.25
Return before operating charges*	(0.67)	5.25	2.39
Operating charges (calculated on average price)	(0.23)	(0.23)	(0.21)
Return after operating charges*	(0.90)	5.02	2.18
Distributions [^]	(1.37)	(1.47)	(1.52)
Retained distributions on accumulation units [^]	1.37	1.31	1.21
Closing net asset value per unit	62.08	62.98	58.12
* after direct transaction costs of:	—	—	—

Performance

Return after charges	(1.43)%	8.64%	3.88%
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Other Information

Closing net asset value (£)	14,916	8,243	79,148
Closing number of units	24,028	13,089	136,183
Operating charges [†]	0.37%	0.37%	0.38%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest unit price	64.41p	64.87p	59.03p
Lowest unit price	61.61p	58.22p	54.96p

[^] 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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Comparative Tables continued

I-Class Distribution Units

Change in Net Asset Value per Unit

Accounting Year ending	20/05/18 (pence per unit)	20/05/17 (pence per unit)	20/05/16 (pence per unit)
Opening net asset value per unit	56.40	53.04	52.34
Return before operating charges*	(0.59)	4.77	2.19
Operating charges (calculated on average price)	(0.08)	(0.08)	(0.08)
Return after operating charges*	(0.67)	4.69	2.11
Distributions on income units [^]	(1.22)	(1.33)	(1.41)
Closing net asset value per unit	54.51	56.40	53.04
* after direct transaction costs of:	—	—	—

Performance

Return after charges	(1.19)%	8.84%	4.03%
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Other Information

Closing net asset value (£)	44,277,810	34,632,075	44,107,382
Closing number of units	81,221,337	61,404,804	83,159,735
Operating charges [†]	0.14%	0.14%	0.15%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest unit price	57.41p	59.23p	54.16p
Lowest unit price	54.66p	53.13p	51.15p

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

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Comparative Tables continued

I-Class Accumulation Units

Change in Net Asset Value per Unit

Accounting Year ending	20/05/18 (pence per unit)	20/05/17 (pence per unit)	20/05/16 (pence per unit)
Opening net asset value per unit	62.92	57.93	55.94
Return before operating charges*	(0.66)	5.23	2.37
Operating charges (calculated on average price)	(0.09)	(0.09)	(0.08)
Return after operating charges*	(0.75)	5.14	2.29
Distributions [^]	(1.37)	(1.46)	(1.52)
Retained distributions on accumulation units [^]	1.37	1.31	1.22
Closing net asset value per unit	62.17	62.92	57.93
* after direct transaction costs of:	—	—	—

Performance

Return after charges	(1.19)%	8.87%	4.09%
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Other Information

Closing net asset value (£)	174,587,842	173,958,256	107,759,194
Closing number of units	280,811,796	276,462,964	186,010,236
Operating charges [†]	0.14%	0.14%	0.15%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest unit price	64.40p	64.69p	58.83p
Lowest unit price	61.66p	58.03p	54.68p

[^] 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.

[†] 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

C-Class Distribution Units

Change in Net Asset Value per Unit

Accounting Year ending	20/05/18 (pence per unit)	20/05/17 (pence per unit)	20/05/16 (pence per unit)
Opening net asset value per unit	56.50	53.11	52.38
Return before operating charges*	(0.59)	4.77	2.19
Operating charges (calculated on average price)	(0.05)	(0.05)	(0.05)
Return after operating charges*	(0.64)	4.72	2.14
Distributions on income units [^]	(1.22)	(1.33)	(1.41)
Closing net asset value per unit	54.64	56.50	53.11
* after direct transaction costs of:	—	—	—

Performance

Return after charges	(1.13)%	8.89%	4.09%
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Other Information

Closing net asset value (£)	9,097,807	11,535,205	16,556,469
Closing number of units	16,650,505	20,415,948	31,175,710
Operating charges [†]	0.09%	0.09%	0.10%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest unit price	57.51p	59.31p	54.23p
Lowest unit price	54.78p	53.20p	51.19p

[^] 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

C-Class Accumulation Units

Change in Net Asset Value per Unit

Accounting Year ending	20/05/18 (pence per unit)	20/05/17 (pence per unit)	20/05/16 (pence per unit)
Opening net asset value per unit	63.02	57.99	55.95
Return before operating charges*	(0.65)	5.24	2.40
Operating charges (calculated on average price)	(0.06)	(0.06)	(0.06)
Return after operating charges*	(0.71)	5.18	2.34
Distributions [^]	(1.37)	(1.46)	(1.51)
Retained distributions on accumulation units [^]	1.37	1.31	1.21
Closing net asset value per unit	62.31	63.02	57.99
* after direct transaction costs of:	—	—	—

Performance

Return after charges	(1.13)%	8.93%	4.18%
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Other Information

Closing net asset value (£)	18,581,271	20,057,871	23,552,562
Closing number of units	29,821,199	31,828,891	40,615,826
Operating charges [†]	0.09%	0.09%	0.10%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest unit price	64.50p	64.76p	58.89p
Lowest unit price	61.78p	58.09p	54.71p

[^] 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.

[†] 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

L-Class Distribution Units

Change in Net Asset Value per Unit

Accounting Year ending	20/05/18 (pence per unit)	20/05/17 (pence per unit)	20/05/16 (pence per unit)
Opening net asset value per unit	56.76	53.32	52.55
Return before operating charges*	(0.59)	4.80	2.21
Operating charges (calculated on average price)	(0.02)	(0.02)	(0.02)
Return after operating charges*	(0.61)	4.78	2.19
Distributions on income units [^]	(1.23)	(1.34)	(1.42)
Closing net asset value per unit	54.92	56.76	53.32
* after direct transaction costs of:	—	—	—

Performance

Return after charges	(1.07)%	8.96%	4.17%
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Other Information

Closing net asset value (£)	402,073,564	327,140,670	158,630,069
Closing number of units	732,079,494	576,379,473	297,521,323
Operating charges [†]	0.03%	0.03%	0.04%
Direct transaction costs	0.00%	0.00%	0.00%

Prices

Highest unit price	57.79p	59.55p	54.45p
Lowest unit price	55.06p	53.41p	51.37p

[^] 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.

Manager's Investment Report

During the year under review, the bid price of the Fund's I-Class accumulation units fell by 1.19%. 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 fell by 0.97%, compared with the benchmark Index fall of 1.04% (source: Bloomberg), producing a tracking difference of +0.07%.

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.

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"iBoxx" is a registered trademark of International Index Company (IIC), a wholly-owned subsidiary of Markit Group.

Market/Economic Review

The global economic background has improved over the review year, led by a solid growth in the major developed economies. However, recent indicators suggest the global industrial cycle peaked during the winter and has since lost momentum. Despite a rise in commodity prices, with the oil price recovering to \$74 per barrel in April – its highest level since 2014, inflationary pressures worldwide have remained subdued by historical standards. In the US, economic activity remains in good shape underpinned by improving consumer and business sentiment, a stronger labour market and a recovery in the energy sector. The Federal Reserve (Fed) sanctioned a gradual tightening of monetary policy; raising interest rates three times over the last twelve months. The Fed also began unwinding its asset purchase programme, known as quantitative easing (QE), in October. In December, Congress approved the Trump administration's tax reforms which include a cut in the main rate of corporation tax from 35% to 21%. In the UK, both economic and political uncertainty have heightened over the last 12 months, as the June general election resulted in a hung parliament and Brexit negotiations began. The UK economy grew at its slowest pace for six years during the first quarter of 2018. The Bank of England voted to increase interest rates to 0.5% in November, removing the emergency support announced in August 2016 in the wake of the EU referendum.

Returns from bond markets have been disappointing over the review year, although a marked rise in equity market volatility in early 2018 highlighted the 'safe haven' appeal of government bonds. In the US, investors have discounted Fed rate hikes and looser

Manager's Investment Report continued

fiscal policy. In the UK, inflation peaked at over 3% in November and remains well above the Bank of England's (BoE) 2% target. The Bank's decision to add high quality corporate bonds to its QE programme sparked an upsurge in new issuance in the sterling-denominated market in 2017. Although the BoE has completed its purchases of corporate bonds, the asset class continued to attract investors as yields on government bonds remained unattractively low.

Fund Review

All investment activity was prompted either by unit holder activity or by monthly changes in the profile of the benchmark Index.

During the year, 110 bonds were added to the Index; 96 of these were new issues and 14 were bonds upgraded from a BBB to an A rating, with 32 bonds leaving the Index after being downgraded to a BBB rating. Another 68 bonds exited the Index after falling below one year to maturity, 3 left after being called and 8 bonds exited the Index following tender offers which left the amount outstanding below the minimum required. The Fund participated in 92 new issues across sectors such as telecoms, financials, utilities, housing associations, consumer goods and mortgage-backed securities.

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

The rest of 2018 is set to be a challenging but also engaging period for the fixed income universe. Risks are mainly coming from tighter G2 monetary policies and a more protectionist US economic policy. On the UK retail side we wonder whether the recent flurry of high street closures is a sign of technological disruption or does it hail the beginning of a deeper consumer downturn? It is currently difficult to disentangle the two, but if the labour market remains robust and GDP growth is either revised up or improves in the second quarter, this would help alleviate concerns. As recent changes have shown, the outlook for the future path of UK interest rates can fluctuate markedly in only a short space of time. It probably would not take much sign of domestic price pressures for the Bank of England's rhetoric to turn hawkish again.

The Fund remains well placed to capture the performance of the benchmark Index.

Legal & General Investment Management Limited

(Investment Adviser)

11 June 2018

Manager's Report and Accounts

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

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 May 2018, the annualised Tracking Error of the Fund is 0.11%. 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:

R-Class [^]	£100
F-Class*	£500
I-Class	£1,000,000
C-Class**	£100,000,000
L-Class†	£500,000

[^] With effect from 12 June 2018 – See Significant Changes on page 16.

*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.

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

Other Information

The information in this report is designed to enable unitholders to understand how the 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.

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

Significant Changes

New Unit Class: R-Class

With effect from 12 June 2018, R-Class units have launched within the Fund, with accumulation and distribution units available.

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 Sterling Corporate Bond Index 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 (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.

Authorised Fund Manager

Legal & General (Unit Trust Managers) Limited

Registered in England and Wales No. 01009418

Registered office:

One Coleman Street,

London EC2R 5AA

Telephone: 0370 050 3350

Authorised and regulated by the Financial Conduct Authority

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

Trustee

Northern Trust Global Services PLC

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

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

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