

Legal & General Mixed Investment 40-85% Fund

**Interim Manager's Report
for the period ended
31 March 2018
(Unaudited)**

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Manager's Investment Report

Investment Objective and Policy

The Fund aims to provide long-term growth of both capital and income.

The Fund will invest between 40 - 85% in a broad range of UK and overseas companies' shares with the balance predominantly in fixed interest securities. Exposure to these asset classes will be achieved generally through investment in collective investment schemes but may also be achieved by investing directly in assets. At times the Fund may be fully invested in collective investment schemes only or directly invested only. The collective investment schemes invested in may include those managed or operated by Legal & General. The Fund may also invest in other transferable securities, other collective investment schemes, money market instruments, deposits, cash and near cash. The Fund will use derivatives for efficient portfolio management purposes only.

Manager's Investment Report

During the six months under review, the bid price of the Fund's A-Class accumulation units fell by 1.95%.

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.

Market/Economic Review

Although markets closed 2017 on a strong note, reflecting a steady improvement in global economic indicators and corporate earnings growth, selling pressures have emerged in recent months. Market volatility has risen markedly, particularly as trade tensions have escalated between the US and China. Over the period, technology stocks performed well. More recently however, investors have favoured sectors perceived as less sensitive to the economic cycle, notably utilities.

US equities recorded a new all-time high in January, but there was a marked rise in volatility during February and March. Initially, investors focused on inflationary pressures and the risk that the US Federal Reserve may accelerate monetary tightening. Subsequently, the Trump administration's decision to impose tariffs on imported goods raised concerns over a trade dispute. Despite closing 2017 on a positive note, UK equities also faltered in recent months. Sterling's strength has caused a headwind for companies and sectors with high international earnings. Investors were also unsettled by the latest guidance on monetary policy from the Bank of England, which cautioned interest rates may need to be increased earlier and faster than expected.

European equities underperformed broader global markets over the period, as political concerns resurfaced. However, the economic background remained positive for Eurozone equity markets, which grew at their fastest rate in a decade in 2017. Meanwhile, emerging market equities generated solid gains, outperforming their global peers. Asian markets headed the gains, helped by strong returns from IT stocks. Despite gains in resource-rich Brazilian stocks, Mexico dragged on Latin American equities, weighed by NAFTA-related uncertainty.

Major international bond markets lost ground as central banks began to withdraw monetary support. With global economic growth accelerating, they were also weakened by expectations of rising inflation. The US Federal Reserve (Fed) raised interest rates to 1.75% in March, with investors starting to discount the prospect of three further rate

Manager's Investment Report continued

hikes in 2018. The Fed also began unwinding quantitative easing (QE) in October.

Although the European Central Bank announced it would taper its QE programme from January, it has reassured investors it will not raise interest rates until past the scheduled end of QE in September. The Bank of Japan's (BOJ) negative interest rate policy, and its announcement that it will intervene if necessary to keep the yield on benchmark 10-year bonds at around 0%, underpinned Japanese government bonds.

Gilts gained ground over the period, mainly due to recent volatility highlighting the 'safe haven' appeal of government bonds. Although inflation remains above the Bank of England's (BOE) 2% target, the benchmark consumer price index fell to a seven-month low in February. The BOE raised interest rates to 0.5% in November. Improving corporate profitability and low default rates have underpinned Sterling corporate bonds, although the asset class underperformed gilts.

Emerging bond markets have continued to attract substantial inflows, although currency adjusted returns have been disappointing. Market volatility has risen on concerns the Federal Reserve may be required to raise US interest rates more rapidly than anticipated. The risk that sustained weakness in local currencies would increase debt servicing costs has also impacted emerging bond markets.

Fund Review

The Fund produced a negative return over the review period.

The Fund's negative performance was driven by higher allocation to equities in the first months of 2018, particularly those in the UK and US. Interest-rate sensitive alternatives, infrastructure and REITs were also hit as yields rose. This was partially offset by our exposure to emerging market local currency debt, a position which we increased in the latter months of 2017.

Following February's sell-off, we reduced our exposure to global investment grade credit and increased our exposure to equities, including technology stocks.

Outlook

The market volatility we have seen so far in 2018 has prompted investors to consider how the rest of the economic cycle will play out and how equities – after an almost decade-long bull-run – will perform. While equity market corrections are relatively common, a prolonged bear market most likely requires a recession.

Our view is the fundamentals driving economic growth remain relatively strong and global growth is synchronised. We therefore see limited recession risks in the next 12 months and maintain our equity holdings in the portfolio. But imbalances are likely to start developing thereafter. We continue to monitor recession indicators closely and will reduce equity exposure if recession risks build.

We see valuations on corporate bonds as expensive compared to other asset classes. While we increased our equity exposure in February, we have started reducing allocations to credit assets. We maintain our view that listed real estate and infrastructure should provide relatively stable returns through a combination of high yields, attractive valuations and with a degree of 'built-in' inflation-protection. While recent performance has been disappointing, the medium-term case remains sound.

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)



S. D. Thomas
(Director)

Legal & General (Unit Trust Managers) Limited
18 May 2018

Portfolio Statement

Portfolio Statement as at 31 March 2018

All investments are in ordinary shares or collective investment schemes unless otherwise stated. The percentages in brackets show the equivalent holdings at 30 September 2017.

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	EQUITIES — 0.00% (0.00%)		
175,000	William Ransom & Son ¹	—	—
	GOVERNMENT BONDS — 0.00% (1.10%)		
	FUNDS INVESTED IN SHARES — 62.14% (62.53%)		
3,088,652	Legal & General (N) Tracker Trust 'I' Inc ¹	5,605,903	1.01
19,892,691	Legal & General European Index Trust 'I' Inc ¹	54,565,652	9.85
47,900,712	Legal & General Global Emerging Markets Index Fund 'L' Inc ¹	27,576,440	4.98
54,453,787	Legal & General Global Real Estate Dividend Index Fund 'L' Inc ¹	30,505,012	5.51
74,119,013	Legal & General Japan Index Trust 'I' Inc ¹	38,960,659	7.03
20,051,662	Legal & General Pacific Index Trust 'I' Inc ¹	21,164,530	3.82
56,998,750	Legal & General UK Index Trust 'L' Inc ¹	90,115,024	16.27
21,795,203	Legal & General UK Mid Cap Index Fund 'L' Inc ¹	11,704,024	2.11
17,070,660	Legal & General US Index Trust 'I' Inc ¹	64,023,509	11.56
		344,220,753	62.14
	FUNDS INVESTED IN INTEREST BEARING SECURITIES — 22.74% (25.36%)		
47,377,259	Legal & General Emerging Markets Government Bond (Local Currency) Index Fund 'L' Inc ¹	28,104,190	5.07
66,131,681	Legal & General Emerging Markets Government Bond (US\$) Index Fund 'L' Inc ¹	34,249,598	6.18
48,035,666	Legal & General High Income Trust 'I' Inc ¹	23,830,494	4.30
23,468,412	Legal & General Sterling Corporate Bond Index Fund 'L' Inc ¹	13,128,229	2.37
22,012,179	LGIM Global Corporate Bond Fund 'B' Acc ¹	26,729,389	4.82
		126,041,900	22.74
	EQUITY INVESTMENT INSTRUMENTS — 4.31% (4.01%)		
1,334,538	iShares Global infrastructure UCITS ETF	23,854,867	4.31

Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	FUTURES CONTRACTS		
	— 0.03% (0.36%)		
127	Australia 10 Year Future Expiry June 2018	140,527	0.02
42	Euro-OAT Future Expiry June 2018	61,118	0.01
257	DJ US Real Estate Future Expiry June 2018	31,078	—
91	E-Mini Russell 2000 Index Future Expiry June 2018	(240,640)	(0.04)
393	Euro STOXX 50 Future Expiry June 2018	(116,383)	(0.02)
(33)	FTSE 100 Index ICF Future Expiry June 2018	27,968	—
322	FTSE 250 Index ICF Future Expiry June 2018	(333,270)	(0.06)
(279)	MSCI Emerging Markets Index Future Expiry June 2018	396,976	0.07
29	NASDAQ 100 E-Mini Future Expiry June 2018	(235,684)	(0.04)
376	SGX Nifty 50 Index Future Expiry April 2018	12,838	—
454	STOXX 600 Utilities Future Expiry June 2018	163,175	0.03
429	STOXX Europe Small 200 Future Expiry June 2018	(125,044)	(0.02)
47	TOPIX Future Expiry June 2018	88,010	0.02
98	XAE Energy Future Expiry June 2018	(45,312)	(0.01)
(87)	CHF/USD Currency Future Expiry June 2018	97,327	0.02
(201)	EUR/USD Currency Future Expiry June 2018	179,242	0.03
1,498	GBP/USD Currency Future Expiry June 2018	38,398	0.01
358	INR/USD Currency Future Expiry April 2018	39,727	0.01
452	USD/KRW Currency Future Expiry April 2018	(17,194)	—
		162,857	0.03
Portfolio of investments^{2,3}		494,280,377	89.22
Net other assets⁴		59,702,467	10.78
Total net assets		£553,982,844	100.00%

¹ Unlisted securities are valued at the Manager's best assessment of their fair and reasonable value.

² Including investment liabilities.

³ All investments are admitted to an official stock exchange unless otherwise stated.

⁴ Includes £38,017,103 of nominals in the LGIM Liquidity Fund Class 1 which is shown as a cash equivalent in the balance sheet of the Fund.

Total purchases for the period: £49,675,999.

Total sales for the period: £19,709,620.

Financial Statements

Statement of Total Return for the period ended 31 March 2018

	31/03/18		31/03/17	
	£	£	£	£
Income				
Net capital (losses)/ gains		(16,159,029)		34,398,071
Revenue	7,809,050		7,798,735	
Expenses	(2,378,022)		(2,835,395)	
Interest payable and similar charges	(5,323)		(23,436)	
Net revenue before taxation	5,425,705		4,939,904	
Taxation	—		—	
Net revenue after taxation for the period		5,425,705		4,939,904
Total return before distributions		(10,733,324)		39,337,975
Distributions		(5,425,705)		(4,944,384)
Change in net assets attributable to Unitholders from investment activities		£(16,159,029)		£34,393,591

Statement of Change in Net Assets attributable to Unitholders for the period ended 31 March 2018

	31/03/18		31/03/17	
	£	£	£	£
Opening net assets attributable to Unitholders		515,925,476		511,510,859
Amounts received on issue of units	73,501,000		37,079,896	
Amounts paid on cancellation of units	(25,029,089)		(42,974,641)	
		48,471,911		(5,894,745)
Dilution levy		—		10,728
Change in net assets attributable to Unitholders from investment activities		(16,159,029)		34,393,591
Retained distributions on accumulation units		5,744,486		4,963,913
Closing net assets attributable to Unitholders		£553,982,844		£544,984,346

The difference between the opening net assets and the comparative closing net assets is the movement in the second half of the year.

Financial Statements continued

Balance Sheet as at 31 March 2018

	31/03/18 £	30/09/17 £
ASSETS		
Fixed assets:		
Investments	495,393,904	482,436,369
Current assets:		
Debtors	2,604,718	8,544,527
Cash and bank balances	20,187,355	16,469,673
Cash equivalents	38,017,103	10,260,154
Total assets	556,203,080	517,710,723
LIABILITIES		
Investment liabilities	(1,113,527)	(791,216)
Creditors:		
Bank overdrafts	(50,078)	(61,149)
Distributions payable	(21,686)	(25,098)
Other creditors	(1,034,945)	(907,784)
Total liabilities	(2,220,236)	(1,785,247)
Net assets attributable to Unitholders	£553,982,844	£515,925,476

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 Association in May 2014 (2014 SORP).

2. Accounting Policies

The accounting policies applied are consistent with the most recent annual Financial Statements.

(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.

Fund Information

Net Asset Values and Units in Issue

Class	Net Asset Value (£)	Units in Issue	Net Asset Value per Unit (p)
R-Class			
Accumulation Units	22,183,814	7,769,234	285.53
A-Class			
Distribution Units	1,226,909	587,243	208.93
Accumulation Units	288,998,512	100,854,955	286.55
F-Class			
Accumulation Units	35,478	11,983	296.07
M-Class			
Distribution Units	222,564	106,425	209.13
Accumulation Units	13,466,766	4,415,497	304.99
I-Class			
Distribution Units	394,771	675,268	58.46
Accumulation Units	15,389,125	23,957,170	64.24
C-Class			
Accumulation Units	206,490,755	319,586,774	64.61
D-Class			
Distribution Units	349,183	596,997	58.49
Accumulation Units	5,224,967	8,283,924	63.07

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.

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

Ongoing Charges Figures

	31 Mar 18	30 Sep 17
R-Class	1.23%	1.57%
A-Class	1.23%	1.37%
F-Class	0.57%	0.57%
M-Class	0.39%	0.39%
I-Class	0.49%	0.49%
C-Class	0.33%	0.33%
D-Class	0.98%	0.98%

The Ongoing Charges Figure (OCF) is the ratio of the Fund's total disclosable costs (excluding overdraft interest) and all costs suffered through holdings in underlying Collective Investment Schemes, 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.

Fund Information continued

Distribution Information

R-Class

The distribution payable on 31 May 2018 is 2.4190p per unit for accumulation units.

A-Class

The distribution payable on 31 May 2018 is 1.7842p per unit for distribution units and 2.4264p per unit for accumulation units.

F-Class

The distribution payable on 31 May 2018 is 3.5155p per unit for accumulation units.

M-Class

The distribution payable on 31 May 2018 is 2.7027p per unit for distribution units and 3.8910p per unit for accumulation units.

I-Class

The distribution payable on 31 May 2018 is 0.7249p per unit for distribution units and 0.7867p per unit for accumulation units.

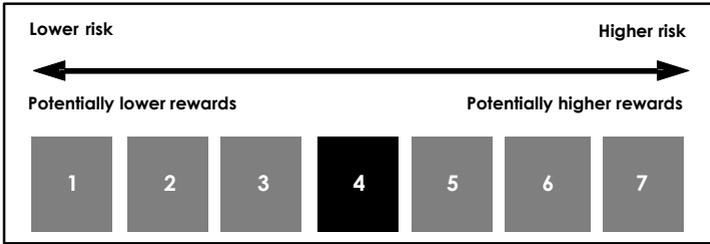
C-Class

The distribution payable on 31 May 2018 is 0.8441p per unit for accumulation units.

D-Class

The distribution payable on 31 May 2018 is 0.5756p per unit for distribution units and 0.6149p per unit for accumulation units.

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 a representative mix of the underlying funds 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 the mix of different asset types in which the Fund invests has a balancing effect on the rate at which the Fund share price moves up and down. This type of fund is generally considered to be higher risk than one investing only in bonds and lower risk than one investing only in 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

Constitution

Launch date:	2 January 1996	
Period end dates for distributions:	31 March, 30 September	
Distribution dates:	31 May, 30 November	
Minimum initial lump sum investment:	R-Class	£20
	A-Class	£20
	F-Class*	£500
	M-Class**	£1,000,000
	I-Class	£1,000,000
	C-Class†	£100,000,000
	D-Class	£500
Valuation point:	3pm	
Fund management fees:	R-Class	Annual 1.20%
	A-Class	Annual 1.20%
	F-Class*	Annual 0.54%
	M-Class**	Annual 0.36%
	I-Class	Annual 0.46%
	C-Class†	Annual 0.30%
	D-Class	Annual 0.95%
Initial charge:	R-Class	Nil
	A-Class	Nil
	F-Class*	Nil
	M-Class**	Nil
	I-Class	Nil
	C-Class†	Nil
	D-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.

** M-Class units are only available to existing investors holding I-Class units in the Legal & General Mixed Investment 40-85% Fund as at 30 June 2014.

† 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.

Pricing and Dealing

The prices are published on the internet at 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.

General Information continued

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. 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.

Significant Change

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 Information 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 (appointed 5 July 2017)
H. Solomon
S. D. Thomas
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 PLC
Trustee and Depositary Services
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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
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London EC2R 5AA
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**Authorised and regulated by the
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