

Legal & General Future World Climate  
Change Equity Factors Index Fund

**Interim Manager's  
Short Report  
for the period ended  
31 July 2018**

**EVERY  
DAY  
MATTERS.®**





## **Investment Objective and Policy**

The investment objective of the Fund is to seek to provide both income and capital growth by tracking the performance of the FTSE All-World excluding Controversial Weapons Climate Balanced Factor Index (the “Index”).

The Fund invests almost exclusively in the shares of companies that make up the Index. However, it may exclude shares of companies from the Index in accordance with the Manager’s climate impact pledge (the “Climate Impact Pledge”) and tracking error. The Fund may also invest in the shares of companies which are reasonably expected, at the manager’s discretion, to become part of the Index. The Fund may also hold units in other collective investment schemes, money market instruments, cash, near cash and derivatives for efficient portfolio management purposes. From time to time non-Index constituents may be held as a result of a corporate action.

The Index methodology is designed to reflect the performance of a global and diversified basket of securities where their weights are varied to (i) achieve balanced exposures to Value, Quality, Low Volatility and Size factors and (ii) to account for risks and opportunities associated with climate change.

## **Risk Profile**

### **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.

### **Currency Risk**

This Fund is invested in overseas financial securities. The performance of the Fund may therefore be affected by changes in exchange rates. This risk may be managed by the use of forward currency contracts, which aim to manage the effect of changing exchange rates.

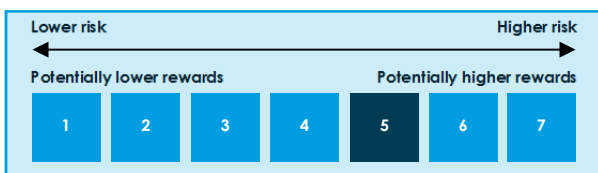
## Fund Facts

Period End Dates for Distributions:	31 Jan, 31 Jul
Distribution Dates:	31 Mar, 30 Sep
Ongoing Charges Figures:	31 Jul 18
R-Class	0.60%
I-Class	0.30%
C-Class	0.23%
L-Class	0.09%

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 indicator 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 five because it invests in company shares which are sensitive to variations in the stock market. The value of company shares can change substantially over short periods of time. Company shares are generally considered to be higher risk investments than bonds or cash.
- 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

### R-Class

The distribution payable on 30 September 2018 is 0.5876p per unit for distribution units and 0.5878p per unit for accumulation units.

### I-Class

The distribution payable on 30 September 2018 is 0.6710p per unit for distribution units and 0.6709p per unit for accumulation units.

### C-Class

The distribution payable on 30 September 2018 is 0.6925p per unit for distribution units and 0.6885p per unit for accumulation units.

### L-Class

The distribution payable on 30 September 2018 is 0.7290p per unit for distribution units and 0.7293p per unit for accumulation units.

## Net Asset Values and Units in Issue

Class	Net Asset Value (£)	Units in Issue	Net Asset Value per Unit (p)
R-Class			
Distribution Units	34,892	68,500	50.94
Accumulation Units	635,649	1,233,706	51.52
I-Class			
Distribution Units	281,441	552,552	50.93
Accumulation Units	918,286	1,779,405	51.61
C-Class			
Distribution Units	101,602,046	199,483,348	50.93
Accumulation Units	1,032	2,000	51.60
L-Class			
Distribution Units	1,019	2,000	50.95
Accumulation Units	103,237,008	199,825,860	51.66

**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.**

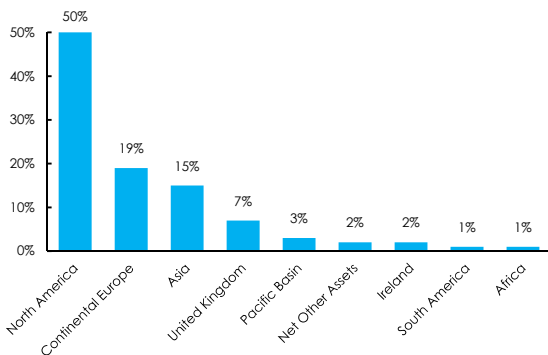
**Exchange rate changes may cause the value of any overseas investments to rise or fall.**

## Portfolio Information

The top 10 holdings and their associated weighting at the current period end were:

Top 10 Holdings at 31 July 2018	
Holding	Percentage of Net Asset Value
Apple	1.24%
Costco Wholesale	0.63%
Johnson & Johnson	0.61%
Home Depot	0.60%
CVS Health	0.58%
TOTAL	0.56%
AT&T	0.54%
Walmart	0.54%
Exxon Mobil	0.53%
Intel	0.53%

## Fund Holdings as at 31 July 2018



## **Manager's Investment Report**

During the period under review, the bid price of the Fund's R-Class accumulation units rose by 3%. FTSE, 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 3pm. Therefore, for tracking purposes the Fund has been revalued using closing prices and foreign exchange rates. On this basis, over the review period, from close of business on 18 January 2018 to close of business on 31 July 2018, the Fund rose by 2.21% on a capital only basis, compared to the Sterling capital return of the FTSE All-World excluding Controversial Weapons Climate Balanced Factor Index rise of 2.45% (Source: Bloomberg), producing a tracking difference of -0.24%.

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**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.**

The FTSE All-World excluding Controversial Weapons Climate Balanced Factor Index is calculated by FTSE International Limited ("FTSE"). FTSE does not sponsor, endorse or promote this product.

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## **Market/Economic Review**

Global equity indices overcame a turbulent first quarter over the review period. Market volatility had risen markedly during the first quarter of 2018, particularly as trade tensions between the US and China escalated. However, a favourable economic background and encouraging corporate earnings announcements enabled markets to end the period on a firmer footing. Energy stocks performed well as the oil price reached \$79 per barrel in May, its highest level since 2014. Technology and consumer discretionary stocks also performed well, boosted by broadly encouraging second quarter reporting season. Financials were amongst the weakest sectors as the differential between 2-year and 10-year US Treasury bond yields reached its lowest point since 2007.

US equities have outperformed global indices over the last six months. There was a marked rise in market volatility during February and March. Initially, investors focused on inflationary pressures and the risk that the Federal Reserve may accelerate monetary tightening. Subsequently, US President Donald Trump's decision to impose tariffs on imported goods, particularly from China, have raised concerns over retaliatory measures and the disruptive impact of a prolonged trade dispute. Nevertheless, a positive corporate earnings backdrop and bullish economic

## **Manager's Investment Report continued**

indicators enabled the market to weather escalating global trade tensions. The cut in corporation tax, which came into effect early in 2018, has been a significant stimulus for both earnings and dividend growth.

### **Fund Review**

Companies held within the Fund are held with weightings generally proportionate to those of the benchmark Index. Therefore, investment activity, other than to raise or invest cash, is only necessary when there are changes to the benchmark Index, or as a result of a corporate action.

There was one Index review carried out by FTSE, during the reporting period. The March 2018 semi-annual Index review resulted in 117 additions and 127 deletions. The two-way Index turnover was 25.05%. The largest addition was Kinnevik (Sweden) and the largest deletion was Symantec (US). Of the 1906 changes to the free share capital of constituents the largest decrease in weight was for Boeing in the US and the largest increase was for Royal Dutch Shell 'A' in the UK.

The five largest constituents of the Index were Apple, Costco Wholesale, Home Depot, Johnson & Johnson and TOTAL. These companies, which together account for 3.6% of the value of the Index, only Oil & Gas Company Total (France) is based outside the US.

The three largest countries by market value in the Index were the US (48.4%), Japan (8.1%) and UK (7.5%).

### **Outlook**

We expect the recent strong economic growth to continue for the time being. However, there are a number of indicators which suggest that the global economy is moving towards the latter stages of the economic cycle; unemployment is low, inflation is starting to rise, the yield curve is flattening and credit spreads are moving wider.

From our perspective, there are three key risks: that inflation could rise faster than expected, a further strengthened US Dollar which would squeeze other nations and trade wars. On the latter, the existing set of tariffs on steel, aluminum and solar panels are relatively small. However, it is the significant escalation that could cause wider issues. Escalation increases the risk of a more negative financial market reaction and damage to business and consumer confidence. While tariffs on steel and aluminum are less visible to consumers, widespread tariffs will hit high-profile consumer goods such as electronics and clothing. If a full-scale trade war becomes a reality, we see it as inflationary and negative for US, Chinese and global growth. However, this scenario is not part of our base case outlook and we see the current rhetoric from president Trump as part of his usual negotiating position to reach a more stable and agreeable outcome.



## **Manager's Investment Report continued**

Despite this backdrop of uncertainty, the Fund remains well positioned to capture the performance of the Index.

Legal & General Investment Management Limited

(Investment Adviser)

22 August 2018

## **Manager's Report and Accounts**

A copy of the most recent Interim Long Form Manager's Report is 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](http://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 period, the annualised Tracking Error of the Fund is 0.04%. These Tracking Errors are within the anticipated Tracking Error levels set out in the Fund's Prospectus of +/-0.60% per annum.

## **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.

## **Minimum Investment Amounts**

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

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

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 of companies.

## **Other Information**

The information in this report is designed to enable unitholders to understand how the Fund has performed during the period under review and how it is invested at the period 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**

### **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 Future World Climate Change Equity Factors 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](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.

**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







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Financial Conduct Authority**

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