

Legal & General High Income Trust
**Interim Manager's
Short Report
for the period ended
5 March 2019**



Investment Objective and Policy

The objective of the Trust is to invest in a variety of fixed interest securities, including overseas issues in order to achieve a high income.

Securities selected will normally be of an investment rating commensurate with the objective.

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

Risk Profile

Credit Risk

This Trust 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 of the Trust 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 Trust holds investments in overseas financial securities. The performance of the Trust 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.

Interest Rate Risk

This Trust is invested in interest bearing securities. The performance of the Trust may therefore be affected by changes in interest rates. The active monitoring and adjustment of the investments in the portfolio manages this risk.

Trust Facts

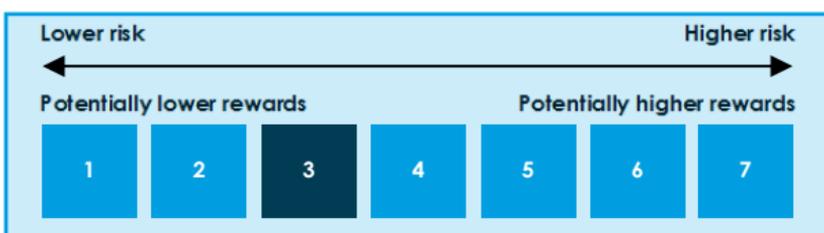
Period End Dates for Distributions:	5 of each month, 5 Sep (Final)	
Distribution Dates:	4 of each month, 4 Oct (Final)	
Ongoing Charges Figures:	5 Mar 19	5 Sep 18
R-Class	1.15%	1.15%
A-Class ¹	—	1.15%
F-Class	0.65%	0.65%
I-Class	0.41%	0.41%
X-Class ¹	—	0.41%

¹ A-Class and X-Class units were converted to R-Class and I-Class units respectively on 4 September 2018.

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

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

Risk and Reward Profile



- The Risk and Reward Indicator table demonstrates where the Trust 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 Trust. The shaded area in the table above shows the Trust's ranking on the Risk and Reward Indicator.
- The Trust is in category three 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 trust in the lowest category is not a risk free investment.

Distribution Information

R-Class

The distribution payable on 4 April 2019 is 0.1638p per unit for distribution units and 0.4416p per unit for accumulation units.

F-Class

The distribution payable on 4 April 2019 is 0.1840p per unit for distribution units and 0.5096p per unit for accumulation units.

I-Class

The distribution payable on 4 April 2019 is 0.1903p per unit for distribution units and 0.5550p 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	142,961,592	307,353,913	46.51
Accumulation Units	100,239,640	79,632,835	125.88
F-Class			
Distribution Units	316,526	674,603	46.92
Accumulation Units	283,473	216,550	130.90
I-Class			
Distribution Units	929,551,759	1,998,372,359	46.52
Accumulation Units	127,584,947	93,681,330	136.19

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.

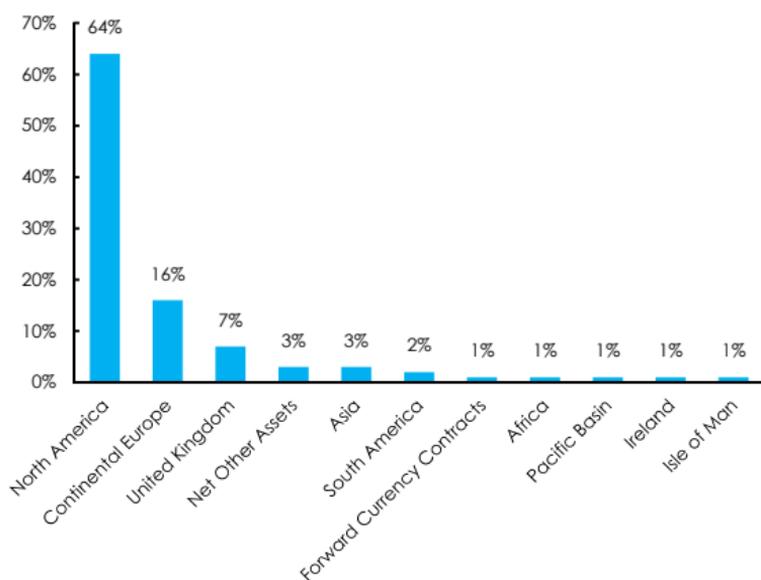
Exchange rate changes may cause the value of any overseas investments to rise or fall.

Portfolio Information

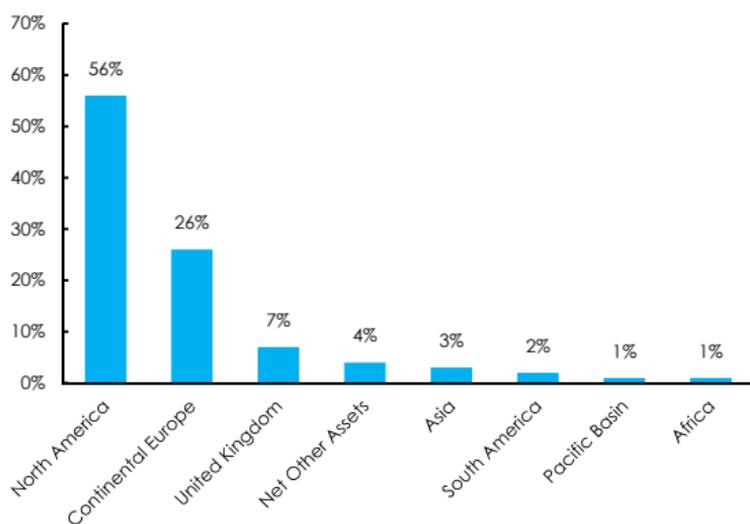
The top 10 holdings and their associated weighting at the current period end and preceding year end were:

Top 10 Holdings at 5 March 2019		Top 10 Holdings at 5 September 2018	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
Corral Petroleum 11.75% 15/05/2021	1.32%	Corral Petroleum 11.75% 15/05/2021	1.44%
Teva Pharmaceutical Finance Netherlands II 4.5% 01/03/2025	1.18%	Superior Industries International 6% 15/06/2025	1.34%
Rekeep 9% 15/06/2022	0.98%	Nidda Healthcare 3.5% 30/09/2024	1.32%
Nidda Healthcare 3.5% 30/09/2024	0.95%	Nyrstar Netherlands 6.875% 15/03/2024	1.22%
Neptune Energy Bondco 6.625% 15/05/2025	0.94%	Teva Pharmaceutical Finance Netherlands II 4.5% 01/03/2025	1.10%
Matalan Finance 6.75% 31/01/2023	0.90%	Navios Maritime Acquisition 8.125% 15/11/2021	1.09%
Iceland Bondco 4.625% 15/03/2025	0.88%	CMA CGM 5.25% 15/01/2025	1.09%
Superior Industries International 6% 15/06/2025	0.86%	Valeant Pharmaceuticals International 4.5% 15/05/2023	1.04%
HCA 5.625% 01/09/2028	0.83%	Tereos Finance Groupe I 4.125% 16/06/2023	1.01%
Land O'Lakes Capital Trust I 7.45% 15/03/2028	0.81%	CMF 9% 15/06/2022	0.96%

Trust Holdings as at 5 March 2019



Trust Holdings as at 5 September 2018



Manager's Investment Report

During the period under review, the Trust's R-Class accumulation units fell by 0.47%.

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Market/Economic Review

The high yield market posted negative returns in the first half of the period, as risk assets continued to be volatile. However, high yield bonds outperformed equities, which suffered a significant sell-off. Emerging market bonds outperformed as investors become more optimistic on the prospect of a trade deal between the US and China while US high yield was weak, particularly in December. Tightening monetary conditions remain an important driver in markets and a lack of soothing words from the US Federal Reserve was a key reason for the continued risk-off tone. This was exacerbated by fragile commodity markets, with a particular focus on oil prices – much of the market weakness was focused on energy-sensitive names.

However, January witnessed a strong rebound across just about every asset class, reversing December's weakness. The combination of attractive valuations and a dovish shift from the US Federal Reserve provided the impetus for a very strong start to the year. In a speech earlier in the month, Chair Jerome Powell said that the Fed could be patient before adjusting rates. He referenced undershooting inflation data over a sustained period and contradicted messages made in December implying that the Fed was on autopilot.

Risky assets continued to rally in February, although not quite as much as they did during January. Throughout the month there were a number of positive headlines regarding key near-term risks: the US/China trade talks resulted in a further delay to new tariffs, a bumper Chinese credit number promised an improvement in economic activity and a no-deal Brexit appeared to become less likely.

Trust Review

The Trust delivered modestly negative returns over the review period. In the first half of the period we made some notable portfolio changes in terms of strategic positioning. We moved to an underweight position in Europe owing to greater recession risk in the region, and moved from being marginally underweight to marginally overweight in North America, where we continued to see robust economic growth.

During February however, our outlook began to change again as global macro conditions improved. Having had the Federal Reserve already signal more dovishness, we began to see signs of bottoming economic activity in China and Europe.

Manager's Investment Report continued

Consequently, we altered our stance and started to reduce our US high yield overweight position and purchase single B risk in Europe. We continued to hold a small overweight position in emerging markets high yield, where yields are attractive as the growth outlook improves and rate rises remain on hold. Overall the Trust remains positioned with more yield than the benchmark.

Outlook

Looking ahead, the dovish shift from 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. Therefore, tactically holding more credit risk within the portfolio makes sense to us at this juncture.

Legal & General Investment Management Limited
(Investment Adviser)
13 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.

EU Savings Directive

The Trust 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 Trust 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 Trust. 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 Trust in the form of a payment from the Manager. This provides an enhanced return to the Trust, 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
F-Class	£500
I-Class	£1,000,000

In addition, monthly contributions can be made into the R-Class with a minimum amount of £20 per month and F-Class with a minimum amount of £50 per month.

Class F units are available to:

- i) investors who have received advice from authorised intermediaries, platforms or other distributors in relation to their investment in units in the Trust; 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.

Other Information

The information in this report is designed to enable unitholders to understand how the Trust 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 Trust can be obtained by telephoning 0370 050 0955 or by writing to the Manager.

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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 SE UK Branch

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**

Legal & General
(Unit Trust Managers) Limited
Registered in England and Wales No. 01009418
Registered office:
One Coleman Street,
London EC2R 5AA
www.legalandgeneral.com
HIT0419

