

Legal & General  
Mixed Investment 0-20% Fund  
**Interim Manager's  
Short Report  
for the period ended  
31 January 2019**





## **Investment Objective and Policy**

The objective of the Fund is to deliver long-term growth of capital, and income.

The Fund invests in a broad range of UK and overseas companies' shares, fixed interest securities, cash and other assets including those giving indirect exposure to commodities and property. The Fund will have a bias towards fixed interest securities and up to 20% of the Fund's property will have an exposure to shares.

Exposure to these asset classes will be achieved usually through investments in collective investment schemes but may also be achieved by investing directly in shares, fixed interest securities, cash, near cash, deposits and money market instruments as well as collective investment schemes. At times the Fund may be fully invested in collective investments schemes only or direct investments only. The collective investment schemes invested include Index-tracking or actively-managed funds managed by Legal & General.

The Fund will use derivatives for Efficient Portfolio Management purposes only.

## **Risk Profile**

### **Credit Risk**

This Fund holds investments in government bonds and in Collective Investment Schemes which directly invest 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.

### **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 holds Collective Investment Schemes that invest in overseas financial securities. The performance of the Fund may therefore be affected by changes in exchange rates, through its holdings in these schemes.

### **Interest Rate Risk**

This Fund holds investments in interest distributing Funds. The performance of the Fund may therefore be affected by changes in interest rates, through its holdings in these schemes.

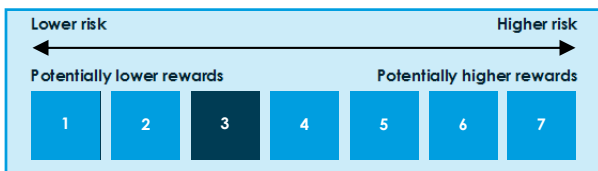
## Fund Facts

Period End Dates for Distributions:	31 January, 31 July	
Distribution Dates:	31 March, 30 September	
Ongoing Charges Figures:	31 Jan 19	31 Jul 18
F-Class	0.55%	0.55%
I-Class	0.44%	0.44%
C-Class	0.31%	0.31%
D-Class	0.93%	0.93%
L-Class	0.04%	0.04%

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

## 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 three 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.
- Even a fund in the lowest category is not a risk free investment.

## Distribution Information

### F-Class

The distribution payable on 31 March 2019 is 0.6044p per unit for distribution units and 0.6270p per unit for accumulation units.

### I-Class

The distribution payable on 31 March 2019 is 0.6494p per unit for distribution units and 0.6830p per unit for accumulation units.

### C-Class

The distribution payable on 31 March 2019 is 0.6859p per unit for distribution units and 0.7214p per unit for accumulation units.

### D-Class

The distribution payable on 31 March 2019 is 0.5173p per unit for distribution units and 0.5365p per unit for accumulation units.

### L-Class

The distribution payable on 31 March 2019 is 0.7578p per unit for distribution units.

## Net Asset Values and Units in Issue

Class	Net Asset Value (£)	Units in Issue	Net Asset Value per Unit (p)
F-Class			
Distribution Units	551	1,067	51.64
Accumulation Units	8,753	16,130	54.27
I-Class			
Distribution Units	178,905	337,704	52.98
Accumulation Units	549	975	56.31
C-Class			
Distribution Units	558	1,054	52.94
Accumulation Units	6,574,506	11,626,885	56.55
D-Class			
Distribution Units	68,712	129,736	52.96
Accumulation Units	1,716,902	3,093,536	55.50
L-Class			
Distribution Units	2,916,141	5,504,272	52.98

**Past performance is not a guide to future performance.**

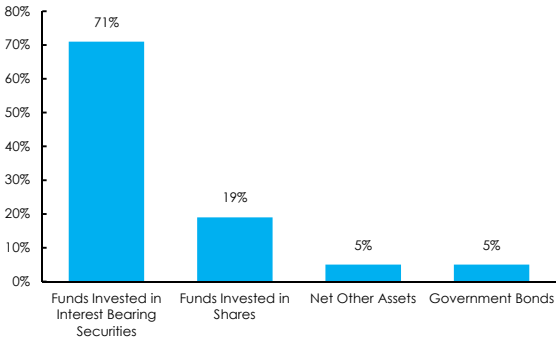
**The price of units and any income from them may go down as well as up.**

## Portfolio Information

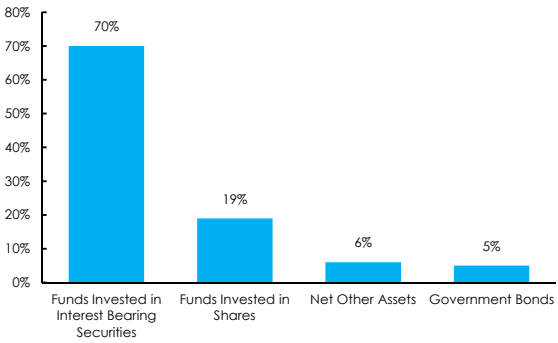
The top 10 holdings and their associated weighting at the current period end and preceding year end were:

Top 10 Holdings at 31 January 2019		Top 10 Holdings at 31 July 2018	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
LGIM Global Corporate Bond Fund 'B' Acc	15.44%	Legal & General Short Dated Sterling Corporate Bond Index Fund 'L' Inc	15.05%
Legal & General Short Dated Sterling Corporate Bond Index Fund 'L' Inc	15.17%	LGIM Global Corporate Bond Fund 'B' Acc	14.69%
Legal & General Sterling Corporate Bond Index Fund 'L' Inc	11.35%	Legal & General Global Inflation Linked Bond Index Fund 'L' Inc	11.06%
Legal & General Global Inflation Linked Bond Index Fund 'L' Inc	10.97%	Legal & General Short Dated Sterling Corporate Bond Index Fund 'L' Inc	10.93%
Legal & General All Stocks Gilt Index Trust 'I' Inc	5.56%	United Kingdom Gilt 2% 22/07/2020	5.49%
United Kingdom Gilt 2% 22/07/2020	5.42%	Legal & General All Stocks Gilt Index Trust 'I' Inc	5.40%
Legal & General High Income Trust 'I' Inc	4.52%	Legal & General High Income Trust 'I' Inc	4.43%
Legal & General Emerging Markets Government Bond (US\$) Index Fund 'L' Inc	4.45%	Legal & General Emerging Markets Government Bond (US\$) Index Fund 'L' Inc	4.28%
Legal & General (N) Tracker Trust 'I' Inc	4.15%	Legal & General US Index Trust 'I' Inc	3.84%
Legal & General Emerging Markets Government Bond (Local Currency) Index Fund 'L' Inc	3.85%	Legal & General Emerging Markets Government Bond (Local Currency) Index Fund 'L' Inc	3.74%

## Fund Holdings as at 31 January 2019



## Fund Holdings as at 31 July 2018



## **Manager's Investment Report**

During the period under review, the price of the Fund's I-Class accumulation units fell by 0.46%. The Fund under-performed its benchmark as funds within the Investment Association Mixed Investment 0-35% Sector delivered a return of 1.63% (Source: Lipper Hindsight).

**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.**

## **Market/Economic Review**

Concerns that the Federal Reserve was raising US interest rates too quickly, the risk of a prolonged government shutdown in the US, the ongoing US-China trade dispute and weaker global economic indicators all combined to trigger widespread risk aversion amongst investors during the period under review. Markets became increasingly volatile as 2018 ended, recording heavy losses before regaining some lost ground in January.

Global equity indices have performed poorly over the last six months. The healthcare sector outperformed, boosted by robust earnings growth. As global economic prospects became more uncertain, technology stocks struggled while the energy sector underperformed as the oil price fell back to a 15-month low in December.

US equities recorded a loss over the period. The market fell sharply in December as concerns about the impact of higher interest rates and the political impasse between the Trump administration and Congress combined to unsettle investors. Real estate, utilities and healthcare were the best performing sectors, while the energy, financials and communication services sectors were weakest.

UK equities underperformed global indices, as uncertainty surrounding the outcome of Brexit negotiations preoccupied investors. Sterling weakened to a 20-month low against the US dollar in December. Energy and industrials were amongst the weakest sectors, while it was also a disappointing period for retailers.

Returns from European equities have also been disappointing over the period. Political concerns have resurfaced, most notably in Italy. This reawakened the debate on the future of the Eurozone. Renewed fears of contagion risk drove down financial stocks, notably banks.

Although concerns over US-China trade tensions and higher US interest rates weighed on global equities, emerging market equities demonstrated some element of resilience. In regional terms, Latin American equities outperformed.

The major international bond markets outperformed equities, recording a modest gain for sterling-based investors. Gilts ended the period with a modest gain. Sterling-denominated corporate bonds underperformed gilts, impacted by concerns about the UK economic



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

outlook and corporate profits, with the deadline for the conclusion of Brexit negotiations fast approaching.

### **Fund Review**

The Fund produced a negative return over the review period.

The Fund's negative performance was largely driven by December's market falls. In particular, the Fund's allocation to UK and European equities damaged performance during this period.

However, the Fund delivered a positive return in January, as markets rallied after the December lows. A significant part of the positive performance can be attributed to developed market equities improving their performance the most after last quarter. Investment grade credit was also a large positive contributor.

Recently, the most significant change to the portfolio positioning was increasing UK equities across most of the funds, taking advantage of more attractive valuations after experiencing large falls in December. This was beneficial for Fund performance in January.

Meanwhile, we closed the European utilities position in the Funds, after strong performance on an absolute and relative basis against European equities. Similarly, we closed the Australian sovereign bond position, partially replacing it with US treasuries.

### **Outlook**

Our view is that US fundamentals remain solid, but also, we see this period as the start of the twilight zone between expansion and a downturn marking the end of the cycle. Our research suggests that equity bull market rallies tend to end suddenly, so de-risking a few months too early can be as problematic as a few months too late. However, those hoping for a return to tranquillity may be disappointed, and we believe this is an environment where a point forecast for equities at the end of the period is increasingly difficult to pin down. As such, at this stage we'll tend to lean against strong investor sentiment in either direction.

The recent dovish shift from the US Federal Reserve seems to have given equity markets the leg-up they needed, and in the broader setting it may mean we are further from the end of the economic cycle than we previously thought. In this context, we continue to hold our neutral position in risk assets, currently preferring European and Japanese to broad US stocks, while also favouring the technology and US energy sectors. We expect continued pressure on credit markets. However, consistent with our constructive outlook for emerging market fundamentals, emerging market debt (both hard and local currency) looks increasingly interesting.

One important concern is the potential for a persistent change in the relationship between equities and bonds. Bonds' shock-absorbing capacity could disappear when an inflationary mindset takes hold.

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

We also think we may continue to see pressure on the euro as Brexit negotiations go to the wire, and lacklustre growth appears to weaken further as Italy has tipped into recession.

Legal & General Investment Management Limited

(Investment Adviser)

21 February 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](http://www.legalandgeneral.com/investments/fund-information/managers-reports).

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

## **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.

## **Minimum Investment Amounts**

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

F-Class	£20
I-Class	£1,000,000
C-Class	£100,000,000
D-Class	£100
L-Class	£100,000

Class F units are only available to:

- i) investors who have received advice from authorised intermediaries and platforms 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.

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 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.

## **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

## **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







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