

Legal & General
Mixed Investment 40-85% Fund
**Interim Manager's
Short Report
for the period ended
31 March 2018**

**EVERY
DAY
MATTERS.®**



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.

Risk Profile

Credit risk

This Fund holds investments 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 investments in 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.

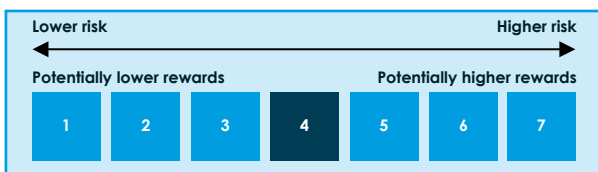
Fund Facts

Period End Dates for Distributions:	31 Mar, 30 Sep	
Distribution Dates:	31 May, 30 Nov	
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 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



- 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.

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.

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.

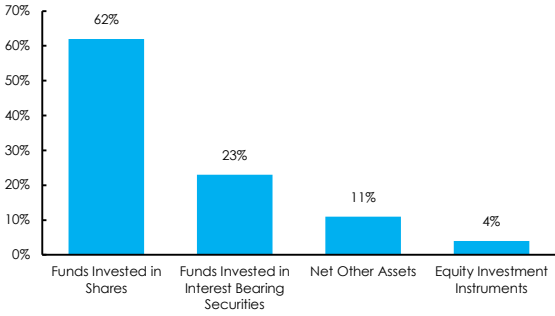
Exchange rate changes may cause the value of any overseas investments to rise or fall.

Portfolio Information

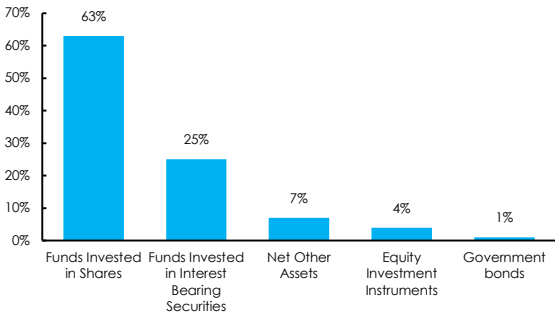
The top 10 holdings and their associated weighting at the current period end and preceding year end were:

Top 10 Holdings at 31 March 2018		Top 10 Holdings at 30 September 2017	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
Legal & General UK Index Trust 'L' Inc	16.27%	Legal & General UK Index Trust 'L' Inc	18.20%
Legal & General US Index Trust 'I' Inc	11.56%	Legal & General US Index Trust 'I' Inc	11.99%
Legal & General European Index Trust 'I' Inc	9.85%	Legal & General European Index Trust 'I' Inc	9.26%
Legal & General Japan Index Trust 'I' Inc	7.03%	Legal & General Japan Index Trust 'I' Inc	6.73%
Legal & General Emerging Markets Government Bond (US\$) Index Fund 'L' Inc	6.18%	LGIM Global Corporate Bond Fund 'B' Acc	6.73%
Legal & General Global Real Estate Dividend Index Fund 'L' Inc	5.51%	Legal & General Emerging Markets Government Bond (US\$) Index Fund 'L' Inc	6.24%
Legal & General Emerging Markets Government Bond (Local Currency) Index Fund 'L' Inc	5.07%	Legal & General High Income Trust 'I' Inc	5.62%
Legal & General Global Emerging Markets Index Fund 'L' Inc	4.98%	Legal & General Global Real Estate Dividend Index Fund 'L' Inc	5.40%
LGIM Global Corporate Bond Fund 'B' Acc	4.82%	Legal & General Global Emerging Markets Index Fund 'L' Inc	4.81%
iShares Global Infrastructure UCITS ETF	4.31%	Legal & General Emerging Markets Government Bond (Local Currency) Index Fund 'L' Inc	4.41%

Fund Holdings as at 31 March 2018



Fund Holdings as at 30 September 2017



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 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

Manager's Investment Report continued

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'

Manager's Investment Report continued

inflation-protection. While recent performance has been disappointing, the medium-term case remains sound.

Legal & General Investment Management Limited

(Investment Adviser)

25 April 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.

Minimum Investment Amounts

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

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

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

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.

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.

**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.

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**

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