

Legal & General Sterling Income Fund  
**Interim Manager's Report**  
**for the period ended**  
**15 April 2019**  
**(Unaudited)**





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# Manager's Investment Report

## Investment Objective and Policy

The objective of the Fund is to produce a high level of income consistent with long-term preservation of capital in Sterling terms. It is intended that the Fund will predominantly invest in interest-bearing securities issued by governments, other public issuers and companies worldwide.

## Manager's Investment Report

During the period under review, the Fund's R-Class accumulation units rose by 2.06%.

**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

Bond markets have outperformed equities over the review period. As 2018 ended, the marked rise in equity market volatility highlighted the 'safe haven' appeal of government bonds, while the subsequent shift to a more accommodative monetary policy from the major central banks has underpinned markets. The US Federal Reserve raised interest rates in December, before citing a combination of slowing global growth, the ongoing US-China trade dispute, and tighter financial conditions when calling a halt to its series of a rate hikes. Likewise, the European Central Bank reassured investors that it would not raise interest rates during 2019. The Bank of Japan's negative-interest-rate policy, and its announcement that it will intervene if necessary to keep the yield on the country's benchmark 10-year bonds at around 0%, supported Japanese government bonds.

Gilts gained ground as the Bank of England left interest rates on hold and indicated it would follow a cautious approach to increasing borrowing costs this year. The UK economy faces the headwinds of persistent concerns about Brexit and a global economic slowdown. Index-linked gilts outperformed their conventional counterparts, despite inflation declining to a two-year low in January, benefiting from their longer maturity profile and ongoing demand from UK institutional investors. Sterling-denominated corporate bonds made modest gains, rallying since the turn of the year as equity markets recovered lost ground.

## Fund Review

The Fund delivered positive returns over the review period. The Fund deliberately runs a shorter duration than the wider corporate bond market. Volatility returned during October, as credit spreads widened and gilt yields rose towards the end of 2018. However, assets recovered in 2019 as gilts benefitted from continued Brexit-related uncertainty, and over the period, 10-year gilt yields compressed, falling particularly sharply in March. However, high quality Sterling corporate bonds have outperformed gilts in 2019 so far as fears for the global growth outlook combined with a flight to quality, although they have gapped wider on a 6-month basis. Sterling bonds enjoyed strong gains during March, driven by optimism over the path of US interest rates and lower estimates for Eurozone growth forecasts.

## Manager's Investment Report continued

Recently, with activity in the primary market remaining at healthy levels, we took advantage of a range of attractively priced new issues, buying new bonds from HSBC, RBS, mining firm Anglo American and infrastructure provider Vinci. In the secondary market, we focused on increasing exposure to high-conviction holdings that have so far lagged behind the broader credit market rally, adding exposure to insurer Aviva, British American Tobacco and telecoms & media infrastructure & facilities provider Arqiva.

### **Outlook**

Looking ahead, with dovish central banks and reasonably solid economic data, risky asset classes remain supported. There are some areas of economic concern, notably across European manufacturing, but rebounding activity in China could help. We remain cautious over the longer term given central banks' inability to normalise their policy in a world of excess debt and disappointing productivity. In the shorter term, the focus is on valuations getting back towards their expensive 2018 levels.

Legal & General Investment Management Limited  
(Investment Adviser)  
18 April 2019

## 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)



L. W. Toms  
(Director)

Legal & General (Unit Trust Managers) Limited  
1 May 2019

## Portfolio Statement

### Portfolio Statement as at 15 April 2019

All investments are in investment grade securities or collective investment schemes unless otherwise stated. The percentages in brackets show the equivalent holdings at 12 October 2018.

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
<b>COLLECTIVE INVESTMENT SCHEMES</b>			
<b>— 8.40% (9.31%)</b>			
82,582,996	Legal & General High Income Trust <sup>1</sup>	38,937,882	8.40
<b>NORTH AMERICA</b>			
<b>— 14.71% (14.19%)</b>			
<b>United States — 10.53% (9.58%)</b>			
GBP3,400,000	AT&T 2.9% 04/12/2026	3,443,411	0.74
GBP2,350,000	AT&T 5.5% 15/03/2027	2,792,482	0.60
GBP2,600,000	Bank of America 6.125% 15/09/2021	2,874,516	0.62
GBP2,382,000	Bank of America 2.3% 25/07/2025	2,398,807	0.52
EUR2,137,000	Bank of America 1.776% 04/05/2027	1,934,320	0.42
GBP100,000	Bank of America 7% 31/07/2028	137,507	0.03
EUR2,747,000	Belden 3.875% 15/03/2028 <sup>2</sup>	2,438,036	0.52
GBP1,833,000	Citigroup 2.75% 24/01/2024	1,878,392	0.40
GBP1,722,000	Digital Stout 2.75% 19/07/2024	1,730,734	0.37
GBP274,000	Digital Stout 4.25% 17/01/2025	294,320	0.06
GBP1,007,000	Ford Motor Credit Company 4.535% 06/03/2025	1,014,558	0.22
GBP1,246,621	General Electric 6.44% 15/11/2022	1,317,710	0.28
GBP6,686,000	Juneau Investments 5.9% 22/02/2021 <sup>3</sup>	6,959,310	1.50
GBP2,500,000	Metropolitan Life Global Funding I 1.625% 09/06/2022	2,502,075	0.54
GBP1,740,000	New York Life Global Funding 1.75% 15/12/2022	1,756,025	0.38
GBP4,298,000	New York Life Global Funding 1.625% 15/12/2023	4,295,722	0.93
GBP2,205,000	Verizon Communications 2.5% 08/04/2031	2,167,467	0.47
GBP2,133,000	Wells Fargo 2.125% 22/04/2022	2,151,365	0.46
GBP2,059,000	Wells Fargo 1.375% 30/06/2022	2,029,511	0.44
GBP2,627,000	Wells Fargo 2.125% 20/12/2023	2,629,877	0.57
GBP2,154,000	Wells Fargo 2% 28/07/2025	2,120,277	0.46
		<b>48,866,422</b>	<b>10.53</b>
<b>Bermuda — 0.07% (0.00%)</b>			
GBP300,000	Hiscox 6.125% 24/11/2045	331,425	0.07
<b>Canada — 0.53% (0.49%)</b>			
GBP2,466,000	Royal Bank of Canada 1.125% 22/12/2021	2,449,779	0.53
<b>Cayman Islands — 2.80% (3.33%)</b>			
GBP2,862,000	Thames Water Utilities Finance 2.375% 03/05/2023	2,791,457	0.60
GBP3,770,000	Thames Water Utilities Finance 1.875% 24/01/2024	3,704,606	0.80

## Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
<b>Cayman Islands — (cont.)</b>			
GBP5,954,000	Thames Water Utilities Finance 5.75% 13/09/2030	6,476,666	1.40
		<hr/>	<hr/>
		12,972,729	2.80
<b>Mexico — 0.78% (0.79%)</b>			
GBP2,764,000	America Movil 5% 27/10/2026	3,298,364	0.71
GBP274,000	America Movil 4.375% 07/08/2041	336,956	0.07
		<hr/>	<hr/>
		3,635,320	0.78
<b>UNITED KINGDOM</b>			
<b>— 50.12% (48.17%)</b>			
GBP1,531,000	Anglian Water Services Financing 1.625% 10/08/2025	1,490,670	0.32
GBP1,368,000	Anglian Water Services Financing 4.5% 22/02/2026	1,470,958	0.32
GBP2,473,000	Anglian Water Services Financing 2.625% 15/06/2027	2,343,647	0.50
GBP715,000	Anglian Water Services Financing 6.625% 15/01/2029	971,052	0.21
GBP1,024,000	Anglian Water Services Financing 2.75% 26/10/2029	1,053,586	0.23
GBP815,000	Anglian Water Services Financing 6.293% 30/07/2030	1,107,319	0.24
GBP4,735,000	Annington Funding 2.646% 12/07/2025	4,671,684	1.01
GBP754,133	Arjiva Financing 4.882% 31/12/2032	839,957	0.18
GBP115,000	Arjiva Financing 5.34% 30/12/2037	134,330	0.03
GBP3,538,700	Aspire Defence Finance 4.674% 31/03/2040	4,390,395	0.95
GBP1,950,000	Aviva 6.125% 14/11/2036	2,222,637	0.48
GBP3,538,000	Aviva 6.625% 03/06/2041	3,850,504	0.83
GBP683,000	Aviva 4.375% 12/09/2049	692,327	0.15
GBP2,261,000	Aviva 5.902% Open Maturity	2,346,353	0.51
GBP5,490,000	Aviva 6.125% Open Maturity	5,927,004	1.28
GBP500,000	Bank of Scotland 7.281% Open Maturity	608,750	0.13
GBP1,940,000	Barclays Bank 9.5% 07/08/2021	2,255,213	0.49
GBP2,075,000	Barclays Bank 2.375% 06/10/2023	2,068,009	0.45
GBP3,720,000	Barclays Bank 7.125% Open Maturity	3,921,743	0.85
GBP4,305,000	Barclays Bank 14% Open Maturity	4,391,100	0.95
GBP904,000	BAT International Finance 4% 04/09/2026	960,430	0.21
GBP1,173,897	BBC Pacific Quay Finance 5.565% 25/07/2034	1,456,836	0.31
GBP4,987,000	Brit Insurance 6.625% 09/12/2030 <sup>3</sup>	5,116,662	1.10
GBP1,200,000	British Telecommunications 5.75% 07/12/2028	1,492,920	0.32
GBP1,049,000	British Telecommunications 3.125% 21/11/2031	1,058,593	0.23
GBP1,630,000	Broadgate Financing 4.999% 05/10/2033	1,940,311	0.42



## Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
<b>UNITED KINGDOM — (cont.)</b>			
GBP698,032	Canary Wharf Finance II 6.455% 22/10/2033	863,614	0.19
GBP3,000,000	Cheltenham & Gloucester 11.75% Open Maturity	6,151,440	1.33
GBP1,846,000	Compass Group 2% 05/09/2025	1,869,101	0.40
GBP2,690,000	Coventry Building Society 1.875% 24/10/2023	2,684,929	0.58
GBP3,462,000	Coventry Building Society 6.875% Open Maturity	3,525,355	0.76
GBP174,000	CYBG 3.125% 22/06/2025	169,359	0.04
GBP4,146,000	CYBG 5% 09/02/2026	4,161,548	0.90
GBP2,391,000	CYBG 4% 25/09/2026	2,423,769	0.52
GBP1,879,000	Diageo Finance 1.75% 12/10/2026	1,867,538	0.40
GBP1,000,000	Eastern Power Networks 8.5% 31/03/2025	1,334,491	0.29
GBP3,000,000	FirstGroup 8.75% 08/04/2021	3,344,073	0.72
GBP2,040,000	Friends Life 12% 21/05/2021	2,464,504	0.53
GBP3,409,000	Friends Life 8.25% 21/04/2022	4,035,608	0.87
GBP1,965,000	GlaxoSmithKline Capital 5.25% 19/12/2033	2,600,638	0.56
GBP1,066,000	Greene King Finance 5.106% 15/03/2034	1,208,482	0.26
GBP495,000	Greene King Finance 5.702% 15/12/2034	401,519	0.09
GBP591,037	Greene King Finance 4.064% 15/03/2035	623,746	0.13
GBP1,700,000	Heathrow Finance 5.75% 03/03/2025 <sup>2</sup>	1,825,050	0.39
GBP2,153,000	HSBC 2.175% 27/06/2023	2,162,611	0.47
GBP2,992,000	HSBC 6.5% 07/07/2023	3,502,387	0.75
GBP3,020,000	HSBC 2.256% 13/11/2026	2,976,705	0.64
GBP98,000	HSBC 5.75% 20/12/2027	117,187	0.02
GBP2,818,000	HSBC 3% 22/07/2028	2,883,879	0.62
GBP300,000	HSBC 6.75% 11/09/2028	383,985	0.08
GBP4,152,000	Imperial Brands Finance 5.5% 28/09/2026	4,794,456	1.03
GBP672,354	Juturna European Loan Conduit No 16 5.064% 10/08/2033	823,860	0.18
GBP1,685,000	Land Securities Capital Markets 1.974% 08/02/2026	1,691,821	0.36
GBP680,000	Land Securities Capital Markets 2.375% 29/03/2029	690,351	0.15
GBP435,000	Leeds Building Society 3.75% 25/04/2029	419,752	0.09
GBP8,715,000	Lloyds Bank 5.125% 07/03/2025	10,380,837	2.24
GBP641,000	Lloyds Bank 7.625% 22/04/2025	817,669	0.18
GBP385,000	Lloyds Banking Group 2.25% 16/10/2024	383,005	0.08
GBP175,000	Marston's Issuer 5.158% 15/10/2027	159,609	0.03
GBP2,415,000	Marston's Issuer 5.177% 15/07/2032	2,571,077	0.55
GBP3,592,000	Marston's Issuer 5.641% 15/07/2035 <sup>2</sup>	2,889,405	0.62

## Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
<b>UNITED KINGDOM — (cont.)</b>			
GBP425,232	Mitchells & Butlers Finance 5.965% 15/12/2023	455,165	0.10
GBP491,770	Mitchells & Butlers Finance 6.013% 15/12/2030	553,295	0.12
GBP3,250,000	Nationwide Building Society 5.769% Open Maturity	3,394,235	0.73
GBP4,000,000	Nationwide Building Society 6.875% Open Maturity <sup>2</sup>	4,022,120	0.87
GBP1,200,000	Nationwide Building Society 7.25% Open Maturity	1,263,000	0.27
GBP78,586	Nats En Route 5.25% 31/03/2026	89,674	0.02
GBP5,475,000	NGG Finance 5.625% 18/06/2073	5,900,681	1.27
GBP6,788,000	Northumbrian Water Finance 2.375% 05/10/2027	6,736,737	1.45
GBP507,000	Provident Financial 7% 04/06/2023	514,762	0.11
GBP749,000	Prudential 6.125% 19/12/2031	984,119	0.21
GBP761,000	Quilter 4.478% 28/02/2028	772,453	0.17
GBP949,000	RL Finance Bonds 6.125% 30/11/2043	1,061,922	0.23
USD2,122,000	Royal Bank of Scotland Group 4.269% 22/03/2025	1,643,509	0.35
GBP352,000	Royal Bank of Scotland Group 3.125% 28/03/2027	355,445	0.08
GBP2,454,000	RSA Insurance Group 5.125% 10/10/2045	2,668,104	0.57
GBP1,705,000	Santander UK 5.75% 02/03/2026	2,148,460	0.46
GBP3,342,000	Santander UK 2.92% 08/05/2026	3,383,735	0.73
GBP3,000,000	Santander UK 10.063% Open Maturity	4,794,000	1.03
GBP3,180,000	Scottish Widows 5.5% 16/06/2023	3,510,055	0.76
GBP200,000	Sky 6% 21/05/2027	256,436	0.06
GBP911,000	Sky 4% 26/11/2029	1,052,806	0.23
GBP670,000	Society of Lloyd's 4.75% 30/10/2024	723,584	0.16
GBP4,137,000	South Eastern Power Networks 6.375% 12/11/2031	5,758,050	1.24
GBP2,690,000	SSE 3.625% 16/09/2077	2,692,975	0.58
GBP4,946,000	SSE 3.875% Open Maturity	4,995,460	1.08
GBP4,070,360	Telereal Securitisation 5.389% 10/12/2033	4,846,386	1.04
GBP1,578,651	Telereal Securitisation 5.948% 10/12/2033	1,927,550	0.42
GBP3,731,000	Tesco 6% 14/12/2029	4,561,894	0.98
GBP260,000	Thames Water Utilities Finance 4% 19/06/2025	282,436	0.06
GBP830,000	Transport for London 2.25% 09/08/2022	852,238	0.18
GBP2,933,000	Tritax Big Box REIT 2.625% 14/12/2026	2,898,734	0.62
GBP643,000	TSB Banking Group 5.75% 06/05/2026	655,308	0.14
GBP69,661	United Kingdom Gilt 2% 07/09/2025	74,083	0.02
GBP383,000	United Utilities Water Finance 2% 14/02/2025	381,002	0.08

## Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
<b>UNITED KINGDOM — (cont.)</b>			
GBP2,276,000	United Utilities Water Finance 2.625% 12/02/2031	2,314,100	0.50
GBP5,370,000	Western Power Distribution West Midlands 6% 09/05/2025	6,492,019	1.40
GBP767,000	Yorkshire Building Society 3% 18/04/2025	770,040	0.17
GBP657,000	Yorkshire Building Society 3.5% 21/04/2026	697,154	0.15
GBP3,145,000	Yorkshire Water Finance 2.75% 18/04/2041	3,072,508	0.66
GBP3,733,000	Yorkshire Water Services Bradford Finance 3.75% 22/03/2046	3,834,448	0.83
GBP989,000	Zurich Finance UK 6.625% Open Maturity	1,100,263	0.24
		<b>232,477,295</b>	<b>50.12</b>
<b>IRELAND — 0.99% (0.80%)</b>			
GBP1,048,000	Freshwater Finance 5.182% 20/04/2035	1,360,531	0.29
GBP1,845,000	GE Capital UK Funding Unlimited 5.125% 24/05/2023	2,019,570	0.44
GBP938,000	GE Capital UK Funding Unlimited 5.875% 18/01/2033	1,123,649	0.24
GBP6,000,000	Lambay Capital Securities 6.25% Open Maturity <sup>4</sup>	87,540	0.02
		<b>4,591,290</b>	<b>0.99</b>
<b>CHANNEL ISLANDS — 3.52% (3.40%)</b>			
GBP2,000,000	Bank of Scotland Capital Funding 7.754% Open Maturity	2,201,396	0.48
GBP3,843,000	CPUK Finance 3.588% 28/02/2042	4,039,677	0.87
GBP747,000	CPUK Finance 7.239% 28/02/2042	903,504	0.20
GBP2,019,000	Credit Suisse Group Funding Guernsey 2.75% 08/08/2025	2,033,272	0.44
GBP4,364,000	HSBC Bank Capital Funding Sterling 1 5.844% Open Maturity	5,587,186	1.20
GBP1,500,000	HSBC Bank Capital Funding Sterling 2 5.862% Open Maturity	1,546,347	0.33
		<b>16,311,382</b>	<b>3.52</b>
<b>ISLE OF MAN — 0.13% (0.22%)</b>			
EUR689,000	Playtech 4.25% 07/03/2026 <sup>2</sup>	616,747	0.13
<b>CONTINENTAL EUROPE — 18.22% (20.86%)</b>			
<b>France — 8.90% (9.45%)</b>			
GBP1,856,000	AXA 5.625% 16/01/2054	2,098,483	0.45
GBP1,000,000	Banque Federative du Credit Mutuel 1.875% 13/12/2022	1,006,790	0.22
GBP1,500,000	Banque Federative du Credit Mutuel 2.25% 18/12/2023	1,527,177	0.33
GBP1,839,000	BNP Paribas 3.375% 23/01/2026	1,915,920	0.41
GBP2,000,000	Credit Agricole 7.5% Open Maturity	2,232,848	0.48
GBP5,350,000	Credit Agricole 8.125% Open Maturity	5,513,795	1.19

## Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	<b>France — (cont.)</b>		
GBP3,000,000	Dexia Credit Local 1.125% 15/06/2022	2,975,721	0.64
GBP5,000,000	Electricite de France 6.25% 30/05/2028	6,529,340	1.41
GBP6,700,000	Electricite de France 6% Open Maturity	7,035,000	1.51
GBP410,000	Orange 5.75% Open Maturity	450,204	0.10
GBP4,585,000	Orange 5.875% Open Maturity	5,001,648	1.08
GBP1,875,000	Total Capital International 2.25% 09/06/2022	1,934,539	0.42
GBP1,852,000	Total Capital International 1.75% 07/07/2025	1,867,929	0.40
GBP1,200,000	Vinci 2.25% 15/03/2027	1,205,428	0.26
		<b>41,294,822</b>	<b>8.90</b>
	<b>Germany — 1.01% (1.09%)</b>		
GBP2,306,000	Deutsche Bahn Finance GMBH 1.875% 13/02/2026	2,310,967	0.50
EUR2,700,000	Deutsche Bank 1.625% 12/02/2021	2,352,577	0.51
		<b>4,663,544</b>	<b>1.01</b>
	<b>Italy — 0.49% (0.28%)</b>		
GBP2,086,000	Autostrade per l'Italia 6.25% 09/06/2022	2,281,075	0.49
	<b>Luxembourg — 0.12% (0.22%)</b>		
GBP545,586	Silver Arrow Compartment Si 'luk A' 0.857% 20/07/2023	545,651	0.12
	<b>Netherlands — 3.77% (5.34%)</b>		
GBP1,980,000	Cooperatieve Rabobank 2.25% 23/03/2022	2,024,708	0.44
GBP750,000	Cooperatieve Rabobank 4% 19/09/2022	811,557	0.17
GBP7,350,000	ELM 6.302% Open Maturity	7,377,563	1.59
EUR2,608,000	Teva Pharmaceutical Finance Netherlands II 4.5% 01/03/2025 <sup>2</sup>	2,365,321	0.51
GBP2,300,000	Volkswagen Financial Services 2.75% 10/07/2023	2,328,646	0.50
EUR3,000,000	Volkswagen International Finance 3.375% Open Maturity	2,588,891	0.56
		<b>17,496,686</b>	<b>3.77</b>
	<b>Russia — 0.69% (0.62%)</b>		
GBP3,124,000	Gazprom OAO Via Gaz Capital 4.25% 06/04/2024	3,198,039	0.69
	<b>Spain — 0.85% (0.78%)</b>		
GBP3,900,000	Banco Santander 2.75% 12/09/2023	3,961,905	0.85
	<b>Sweden — 0.94% (1.69%)</b>		
GBP4,552,000	Akelius Residential Property 2.375% 15/08/2025	4,380,139	0.94
	<b>Switzerland — 1.45% (1.39%)</b>		
GBP1,514,000	Credit Suisse Group 2.125% 12/09/2025	1,472,504	0.32

## Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	<b>Switzerland — (cont.)</b>		
GBP3,518,000	UBS 1.25% 10/12/2020	3,508,642	0.76
GBP1,281,000	UBS 8.75% 18/12/2025	1,736,834	0.37
		6,717,980	1.45
	<b>ASIA — 0.58% (0.53%)</b>		
	<b>South Korea — 0.58% (0.53%)</b>		
GBP2,687,000	Korea Development Bank 1.75% 15/12/2022	2,680,473	0.58
	<b>SUPRANATIONAL — 0.60% (0.00%)</b>		
GBP2,000,000	European Investment Bank 6% 07/12/2028	2,772,284	0.60
	<b>PACIFIC BASIN — 0.38% (0.35%)</b>		
	<b>Australia — 0.38% (0.35%)</b>		
GBP1,630,000	QBE Insurance Group 6.115% 24/05/2042	1,763,636	0.38
	<b>FORWARD CURRENCY CONTRACTS — 0.00% (0.02%)</b>		
USD(2,574,800)	Sold US Dollars		
GBP1,963,250	for Sterling (Expires 10/07/2019) <sup>1</sup>	7,956	—
EUR(14,196,530)	Sold Euro		
GBP12,299,916	for Sterling (Expires 10/07/2019) <sup>1</sup>	19,262	—
		27,218	—
	<b>FUTURES CONTRACTS — 0.02% (0.24%)</b>		
(16)	Euro-Bobl Future Expiry June 2019	(10,351)	—
(11)	Euro-Bund Future Expiry June 2019	(18,026)	—
(471)	Long Gilt Future Expiry June 2019	164,970	0.03
(11)	Ultra US 10 Year Treasury Notes Future Expiry June 2019	(11,535)	—
(39)	US 10 Year Treasury Notes Future Expiry June 2019	(23,005)	(0.01)
(19)	US 5 Year Treasury Notes Future Expiry June 2019	(3,509)	—
(4)	US Treasury Long Bond Future Expiry June 2019	(5,188)	—
		93,356	0.02
<b>Portfolio of investments<sup>5</sup></b>		453,067,079	97.67
<b>Net other assets</b>		10,796,188	2.33
<b>Total net assets</b>		£463,863,267	100.00%

## Portfolio Statement continued

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

<sup>2</sup> These are sub-investment grade fixed interest securities and represent 3.04% of the net assets of the Fund.

<sup>3</sup> These are unrated fixed interest securities and represent 2.60% of the net assets of the Fund.

<sup>4</sup> Defaulted securities are valued at the Manager's best assessment of their fair and reasonable value.

<sup>5</sup> Including investment liabilities.

Total purchases for the period: £104,713,115.

Total sales for the period: £144,127,199.

## Financial Statements

### Statement of Total Return for the period ended 15 April 2019

	13/10/18 <sup>1</sup> to 15/04/19		16/10/17 to 15/04/18	
	£	£	£	£
<b>Income</b>				
Net capital gains/ (losses)		2,724,189		(9,095,599)
Revenue	9,782,719		10,480,863	
Expenses	(2,400,503)		(2,794,978)	
Interest payable and similar charges	(181,375)		(340,367)	
<b>Net revenue before taxation</b>	<u>7,200,841</u>		<u>7,345,518</u>	
Taxation	—		—	
<b>Net revenue after taxation for the period</b>		<u>7,200,841</u>		<u>7,345,518</u>
<b>Total return before distributions</b>		9,925,030		(1,750,081)
Distributions		<u>(7,200,841)</u>		<u>(7,345,517)</u>
<b>Change in net assets attributable to Unitholders from investment activities</b>		<u><b>£2,724,189</b></u>		<u><b>£(9,095,598)</b></u>

### Statement of Change in Net Assets attributable to Unitholders for the period ended 15 April 2019

	13/10/18 <sup>1</sup> to 15/04/19		16/10/17 to 15/04/18	
	£	£	£	£
<b>Opening net assets attributable to Unitholders</b>		499,599,238		570,136,868
Amounts received on issue of units	3,024,162		11,627,870	
Amounts paid on cancellation of units	<u>(45,920,246)</u>		<u>(39,071,944)</u>	
		(42,896,084)		(27,444,074)
<b>Change in net assets attributable to Unitholders from investment activities</b>		2,724,189		(9,095,598)
Retained distributions on accumulation units		4,428,731		4,535,108
Unclaimed distributions		<u>7,193</u>		<u>9,410</u>
<b>Closing net assets attributable to Unitholders</b>		<u><b>£463,863,267</b></u>		<u><b>£538,141,714</b></u>

<sup>1</sup> The Fund's final accounting date, usually 15 October, was moved to 12 October 2018 in order to facilitate the closure of A-Class.

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 15 April 2019

	15/04/19 £	12/10/18 <sup>1</sup> £
<b>ASSETS</b>		
<b>Fixed assets:</b>		
Investments	453,138,693	490,068,149
<b>Current assets:</b>		
Debtors	17,126,574	8,627,235
Cash and bank balances	24,148,095	20,867,465
<b>Total assets</b>	<b>494,413,362</b>	<b>519,562,849</b>
<b>LIABILITIES</b>		
<b>Investment liabilities</b>		
	(71,614)	(30,710)
<b>Creditors:</b>		
Bank overdrafts	(17,598,315)	(18,088,946)
Distributions payable	(477,931)	(376,973)
Other creditors	(12,402,235)	(1,466,982)
<b>Total liabilities</b>	<b>(30,550,095)</b>	<b>(19,963,611)</b>
<b>Net assets attributable to Unitholders</b>	<b>£463,863,267</b>	<b>£499,599,238</b>

<sup>1</sup> The Fund's final accounting date, usually 15 October, was moved to 12 October 2018 in order to facilitate the closure of A-Class.



# 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 Management 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			
Distribution Units	127,118,561	127,989,858	99.32
Accumulation Units	227,177,447	121,234,290	187.39
F-Class			
Distribution Units	67,512	67,765	99.63
Accumulation Units	880	451	195.12
I-Class			
Distribution Units	48,605,839	48,774,652	99.65
Accumulation Units	60,893,028	30,833,960	197.49

**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

	15 Apr 19	12 Oct 18
R-Class	1.16%	1.16%
A-Class <sup>1</sup>	-	1.16%
F-Class	0.66%	0.66%
I-Class	0.42%	0.42%

<sup>1</sup> As at the 12 October 2018, the A-Class was closed. All unitholders in the A-Class as at 12 October 2018 have been moved into the R-Class. The terms and charges are identical between the classes.

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 13 May 2019 is 0.2542p per unit for distribution units and 0.4784p per unit for accumulation units.

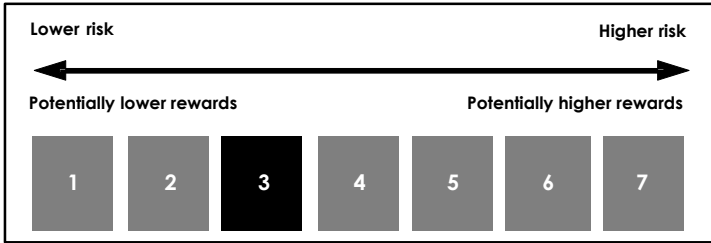
#### **F-Class**

The distribution payable on 13 May 2019 is 0.2976p per unit for distribution units and 0.5720p per unit for accumulation units.

#### **I-Class**

The distribution payable on 13 May 2019 is 0.3121p per unit for distribution units and 0.6167p per unit for accumulation units.

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

## General Information

### Constitution

Launch date:	15 October 2001
Period end dates for distributions:	15 of each month 15 October (Final)
Distribution dates:	13 of each month 13 November (Final)
Minimum initial lump sum investment:	R-Class £20 F-Class* £20 I-Class £1,000,000 L-Class** £100,000
Valuation point:	12 noon
Fund management fees:	R-Class Annual 1.16% F-Class* Annual 0.66% I-Class Annual 0.42% L-Class** Annual 0.04%
Initial charges:	Nil for all existing unit classes

\* 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.

\*\* L-Class is not available to retail customers and is intended only for investment by Legal & General group companies.

### Pricing and Dealing

The prices are published on the internet at [www.legalandgeneral.com/investments/fund-information/daily-fund-prices](http://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.

### 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](http://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.

## General Information continued

### 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.

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.

### Significant Change

#### New Unit Class: L-Class

With effect from 25 April 2019, L-Class units have launched within the Fund with accumulation units available.

## 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 (resigned 31 December 2018)  
A. J. C. Craven  
S. Hynes  
H. Morrissey  
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 SE UK Branch  
Trustee and Depository Services  
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

### Investment Adviser

Legal & General Investment Management Limited  
One Coleman Street,  
London EC2R 5AA  
Authorised and regulated by the Financial Conduct Authority

**Authorised and regulated by the  
Financial Conduct Authority**

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

