

A guide to single swing pricing

We are changing the methods by which many of our funds are priced on 1 December 2020. This is to standardise the method used across most of our Unit Trust range of funds and further address the impact of 'dilution' on the value of your investments.



What is dilution and why is it important?

When an investor buys into a fund, the fund manager invests the new money into the market. There are costs to placing money into the market such as brokerage fees (similar to costs you might be charged when purchasing a share in a company). Another cost is when you buy an asset. It will often cost more to buy the asset than the price at which you could then sell it yourself. For example, when buying a car, you would generally have to pay the dealer more to buy it than the cash value you might receive if you were to trade in the exact same model.

If these costs are not covered by the investors entering into the fund, then they will be paid by all the existing investors and lower the unit price. This is what's known as fund dilution.

Fund dilution can also occur when an investor is taking their money out of a fund. When an investor wants to take their money back, the fund manager has to sell some underlying investments to cover this which can again incur costs for investors who remain in the fund.





What is single swing pricing and how can it reduce dilution?

Single swing pricing is a method designed to ensure fair treatment for all investors in the fund, and is the most widely used pricing method in the funds industry. The way it works is that all investors who are investing into a fund or taking money out of a fund are quoted the same price. That single price generally sits at a 'mid' point. However, when there are particularly large purchases, the price 'swings' up. The same process happens for withdrawals where the price can then swing down. This makes sure that the dilution costs caused by these transactions are covered by those either entering into or exiting the fund and not by you, the fund's investors.

The impact on investors when they buy into or sell out of the fund and the price swings up or down is as follows:

- i. If you currently have a **dual priced fund**, under the new pricing basis if the price of the fund swings up or the mid-price is applied, the value of your investment will be higher. If the price of the fund swings down, the value of your investment will be the same.
- i. If you currently have a **single quoted swinging dual priced fund**, under the new pricing basis if the price of the fund swings up the value of your investment will be the same. At the mid-price, the value of your investment may be higher or lower. If the price of the fund swings down, the value of your investment will be the same.
- i. If you currently have a **single priced fund with dilution levy**, under the new pricing basis if the price of the fund swings up the value of your investment will be higher. At the mid-price, the value of your investment will be the same. If the price of the fund swings down, the value of your investment may be the same or lower.
- i. If you currently have a **single priced fund**, under the new pricing basis if the price of the fund swings up the value of your investment will be higher. At the mid-price, the value of your investment will be the same. If the price of the fund swings down, the value of your investment will be lower.

The majority of the funds listed in this brochure will move to this pricing method on 1 December 2020.

How are the funds priced before the change?



Dual pricing

Dual pricing means all investors buying into the fund pay a higher price than investors selling out of the fund. The higher price paid by investors buying into the fund is the offer price. The lower price paid to investors selling out of the fund is the bid price.

The difference between this method and single swing pricing is that all investors will receive the same price and depending on the level of purchases and redemptions this will be either the mid-price (when there are no or low flows into or out of the fund), a higher adjusted price (when there are a higher number of purchases) or a lower adjusted price (when there are a higher number of withdrawals).



Single quoted swinging dual pricing

Single quoted swinging dual price is similar to the dual pricing method. We calculate both an offer and a bid price and, depending on whether there are more net inflows or outflows on a given day for a share class, the price for all transactions (buying and selling) will swing between these two prices.

In practice, if the day's inflows in a unit class are positive, the price used for all transactions (buying and selling) in that unit class will be the higher offer price. If the day's inflows are negative for a unit class, then all transactions (buying and selling) will use the lower bid price.

The difference between this method and the single swing pricing to which most funds will move is that here there is no mid-price. Additionally, we will only swing the price up or down if a certain threshold is exceeded.



Single priced

Single pricing means the manager calculates just one price at each valuation point. Investors buying units in a fund or selling their units do so at the same price on each dealing day.



Single priced with dilution levy

Units in a fund are issued and redeemed at a single price on each day (there is no bid/offer spread). We apply a dilution levy when a transaction looks like it may have a negative impact on the remaining investors in the fund. The dilution levy is separate from the price of the units in the fund and is invested into the fund to counteract the effect of dilution. The difference between this method and single swing pricing is that under the swing pricing method, the cost for purchases or redemptions is included in the price instead of being charged separately.



Will this change the value of my investment?

The value of your investment on any day, or if you decide to sell, is based on the number of units you hold (which will not change under the new method) and the price of each unit.

Generally the value will be the same or higher under the new pricing method, but in a very limited case may be lower.

		Under the new pricing basis, if the price of the fund:		
		Swings up	Mid-priced	Swings down
How your funds are currently priced	Dual priced	The value of your investment will be higher	The value of your investment will be higher	The value of your investment will be the same
	Single quoted swinging dual	The value of your investment will be the same	The value of your investment may be higher or lower	The value of your investment will be the same
	Single priced	The value of your investment will be higher	The value of your investment will be the same	The value of your investment may be lower
	Single priced with dilution levy	The value of your investment will be higher	The value of your investment will be the same	The value of your investment may be the same or lower

Which funds are changing to the current single swing pricing method?

Funds which currently use the dual pricing method but will change to single swing pricing on 1 December 2020

Fund name	
Legal & General Asian Income Trust	Legal & General Multi Manager Income Trust
Legal & General Distribution Trust	Legal & General Real Capital Builder Fund
Legal & General Dynamic Bond Fund	Legal & General Short Dated Sterling Corporate Bond Index Fund
Legal & General Emerging Markets Government Bond (Local Currency) Index Fund	Legal & General Sterling Corporate Bond Index Fund
Legal & General Emerging Markets Government Bond (US\$) Index Fund	Legal and General UK 350 Index Fund
Legal & General Ethical Trust	Legal & General UK Alpha Trust
Legal & General European Equity Income Fund	Legal & General UK Equity Income Trust
Legal & General European Trust	Legal & General UK Smaller Companies Trust
Legal & General Fixed Interest Trust	Legal & General UK Special Situations Trust
Legal & General Future World Climate Change Equity Factors Index Fund	Legal & General Multi-Index Funds
Legal & General Global 100 Index Trust	Legal & General Multi-Index 3 Fund
Legal & General Global Health & Pharmaceuticals Index Trust	Legal & General Multi-Index 4 Fund
Legal & General Global Inflation Linked Bond Index Fund	Legal & General Multi-Index 5 Fund
Legal & General Global Technology Index Trust	Legal & General Multi-Index 6 Fund
Legal & General Growth Trust	Legal & General Multi-Index 7 Fund
Legal & General High Income Trust	Legal & General Multi-Index Income 4 Fund
Legal & General Managed Monthly Income Trust	Legal & General Multi-Index Income 5 Fund
Legal & General Multi-Asset Target Return	Legal & General Multi-Index Income 6 Fund
Legal & General Multi Manager Balanced Trust	Legal & General Unit Trust Managers II
Legal & General Multi Manager Growth Trust	Legal & General Future World Sustainable Opportunities Fund

Funds which currently use the single quoted swinging dual pricing method but will change to single swing pricing on 1 December 2020

Fund name	
Legal & General All Stocks Gilt Index Trust	Legal & General Unit Trust Managers I
Legal & General All Stocks Index Linked Gilt Index Trust	Legal & General Future World ESG Developed Index Fund
Legal & General Cash Trust	Legal & General Future World ESG UK Index Fund
Legal & General Diversified Fund	Legal & General Future World Gender in Leadership UK Index Fund
Legal & General European Index Trust	Legal & General Global Robotics and Automation Index Fund
Legal & General Global Emerging Markets Index Fund	Legal & General Unit Trust Managers III
Legal & General Global Equity Index Fund	Legal & General Multi Asset Core 20 Fund
Legal & General Global Infrastructure Index Fund	Legal & General Multi Asset Core 45 Fund
Legal & General Global Real Estate Dividend Index Fund	Legal & General Multi Asset Core 70 Fund
Legal & General International Index Trust	Legal & General Multi-Index Funds
Legal & General Japan Index Trust	Legal & General Future World Multi-Index 4 Fund
Legal & General Pacific Index Trust	Legal & General Future World Multi-Index 5 Fund
Legal & General UK 100 Index Trust	Legal & General Worldwide Trust
Legal & General UK Index Trust	CAF UK Equitrack Fund
Legal & General UK Mid Cap Index Fund	Equity Index Tracker
Legal & General US Index Trust	

Funds which currently use the single priced with dilution levy pricing method but will change to single swing pricing on 1 December 2020

Fund name	
Legal & General Mixed Investment Income 0-35% Fund	Legal & General Mixed Investment 20-60% Fund
Legal & General Mixed Investment Income 20-60% Fund	Legal & General Mixed Investment 40-85% Fund
Legal & General Mixed Investment 0-20% Fund	Legal & General Sterling Income Fund
Legal & General Mixed Investment 0-35% Fund	Legal & General UK Select Equity Fund

Fund(s) which currently use the single pricing method but will change to single swing pricing on 1 December 2020

Fund name
Legal & General (N) Tracker Trust

Which funds will not change their pricing method?

Fund name	Pricing method (which will not change)
Legal & General UK Property Fund	Dual pricing
Legal & General UK Property Feeder Fund	Dual pricing
Legal & General Real Income Builder	Dual pricing

Contact us

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

† Please be aware that for security reasons we're unable to confirm personal information via email.

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