Distribution Number 102

Legal & General
Managed Monthly Income Trust

# Annual Manager's Short Report for the year ended 22 February 2014

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Legal & General

## Investment Objective and Policy

The investment objective of this Trust is to provide a high income from a managed portfolio that includes fixed interest securities and Government and other public securities. Investments may be made in stocks traded on overseas markets.

For the purposes of efficient portfolio management, any of the forms of derivatives outlined in the Prospectus may be effected.

## 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. 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 is invested 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.

This Trust is also invested in interest distributing funds. The performance of the Trust may therefore be affected by changes in interest rates, through its holdings in these funds.

## Trust Facts

| | | |
|---|---|---|
| Period End Dates for Distributions: | | 22 of each month, 22 Feb (Final) |
| Distribution Dates: | | 21 of each month, 21 Mar (Final) |
| Ongoing Charges Figures: | 22 Feb 14 | 22 Feb 13 |
| R-Class | 1.17% | 1.18% |
| I-Class | 0.43% | 0.44% |
| F-Class | 0.67% | 0.68% |

The Ongoing Charges Figure (OCF) is the ratio of the Trust'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 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

| Lower risk | | | | | | Higher risk |
|---|---|---|---|---|---|---|
| Potentially lower rewards | | | | | | Potentially higher rewards |
| 1 | 2 | 3 | **4** | 5 | 6 | 7 |

- This risk and reward profile is based on historical data which may not be a reliable indication of the Trust's risk and reward category in the future.
- The category is based on the rate at which the value of the Trust has moved up and down in the past.
- This Trust is in category four because it invests in investment grade bonds which generally provide higher rewards and higher risks than investments in cash and lower rewards and lower risks than other investments such as sub-investment grade bonds or company shares.
- The Trust's category is not guaranteed to remain the same and may change over time.
- Even a trust in the lowest category is not a risk free investment.

## Trust Performance

| Accounting Date | Net Asset Value Of Trust | Net Asset Value Per Unit | Number Of Units In Issue |
|---|---|---|---|
| 22 Feb 12 | | | |
| R-Class | | | |
| Distribution Units | £301,440,329 | 54.11p | 557,067,409 |
| Accumulation Units | £88,232,555 | 83.09p | 106,194,636 |
| I-Class | | | |
| Distribution Units | £64,118 | 54.11p | 118,507 |
| Accumulation Units | £92,386 | 85.64p | 107,879 |
| 22 Feb 13 | | | |
| R-Class | | | |
| Distribution Units | £302,916,797 | 58.68p | 516,216,767 |
| Accumulation Units | £93,465,153 | 92.97p | 100,527,268 |
| I-Class | | | |
| Distribution Units | £857,281 | 58.70p | 1,460,348 |
| Accumulation Units | £770,874 | 96.41p | 799,613 |
| F-Class* | | | |
| Distribution Units | £1,026 | 59.31p | 1,730 |
| Accumulation Units | £23,846 | 94.22p | 25,308 |
| 22 Feb 14 | | | |
| R-Class | | | |
| Distribution Units | £282,489,547 | 58.60p | 482,105,046 |
| Accumulation Units | £91,352,129 | 95.92p | 95,241,986 |
| I-Class | | | |
| Distribution Units | £5,388,346 | 58.62p | 9,191,974 |
| Accumulation Units | £4,452,814 | 100.05p | 4,450,376 |
| F-Class* | | | |
| Distribution Units | £73,564 | 59.22p | 124,217 |
| Accumulation Units | £39,980 | 97.60p | 40,964 |

* F-Class units launched on 17 August 2012.

**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.**

## Distribution Information

### R-Class

The distribution payable on 21 March 2014 is 0.1499p net per unit for distribution units and 0.2444p net per unit for accumulation units.

### I-Class

The distribution payable on 21 March 2014 is 0.1838p net per unit for distribution units and 0.3126p net per unit for accumulation units.

### F-Class

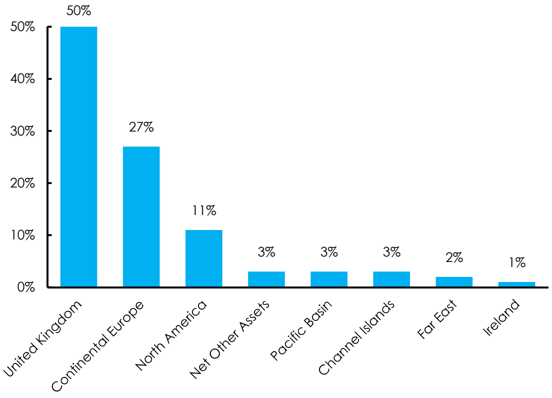
The distribution payable on 21 March 2014 is 0.1743p net per unit for distribution units and 0.2871p net per unit for accumulation units.

## Portfolio Information

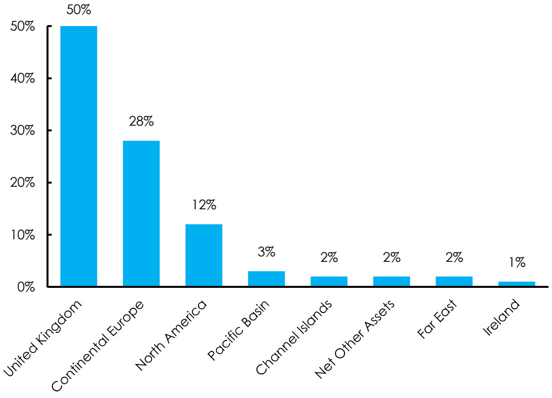
The top 10 holdings and their associated weighting for the current and preceding year are:

| Top 10 Holdings at 22 February 2014 | | Top 10 Holdings at 22 February 2013 | |
|---|---|---|---|
| **Holding** | **Percentage of Net Asset Value** | **Holding** | **Percentage of Net Asset Value** |
| Legal & General High Income Trust | 6.66% | Legal & General High Income Trust | 6.37% |
| Barclays Bank 10% 21/05/2021 | 1.80% | Barclays Bank 10% 21/05/2021 | 1.76% |
| Prudential Floating Rate 11.375% 29/05/2039 | 1.70% | Prudential Floating Rate 29/05/2039 | 1.72% |
| Standard Chartered Bank Floating Rate Open Maturity | 1.57% | Southern Water Services Finance 6.64% 31/03/2026 | 1.52% |
| Southern Water Services Finance 6.64% 31/03/2026 | 1.56% | Standard Chartered Bank 5.375% Open Maturity | 1.48% |
| HSBC Holdings 6.5% 20/05/2024 | 1.39% | BAT International Finance 9.5% 15/11/2018 | 1.39% |
| Coventry Building Society 6% 16/10/2019 | 1.32% | HSBC Holdings 6.5% 20/05/2024 | 1.38% |
| Electricite de France 6.125% 02/06/2034 | 1.28% | Coventry Building Society 6% 16/10/2019 | 1.30% |
| Enel Finance 5.625% 14/08/2024 | 1.25% | Electricite de France 6.125% 02/06/2034 | 1.21% |
| E.ON International Finance 6% 30/10/2019 | 1.21% | E.ON International Finance 6% 30/10/2019 | 1.21% |

## Trust Holdings as at 22 February 2014




## Trust Holdings as at 22 February 2013



## Unit Price Range and Net Revenue

### R-Class Units

| Year | Highest Offer | Lowest Bid | Net Revenue |
|---|---|---|---|
| **Distribution Units** | | | |
| 2009 | 53.64p | 38.05p | 2.2126p |
| 2010 | 58.17p | 51.37p | 1.9866p |
| 2011 | 57.68p | 51.68p | 2.1413p |
| 2012 | 60.05p | 53.23p | 1.8455p |
| 2013 | 61.99p | 56.97p | 1.8898p |
| 2014[1] | 59.50p | 57.68p | 0.5082p |
| **Accumulation Units** | | | |
| 2009 | 75.26p | 51.96p | 3.0345p |
| 2010 | 84.49p | 72.85p | 2.8440p |
| 2011 | 86.39p | 77.53p | 3.1941p |
| 2012 | 94.53p | 81.14p | 2.8496p |
| 2013 | 98.72p | 91.38p | 3.0132p |
| 2014[1] | 97.15p | 93.88p | 0.8265p |

### I-Class Units

| Year | Highest Offer | Lowest Bid | Net Revenue |
|---|---|---|---|
| **Distribution Units** | | | |
| 2009 | 52.11p | 39.33p | 2.4376p |
| 2010 | 56.49p | 51.54p | 2.2970p |
| 2011 | 56.01p | 51.68p | 2.4452p |
| 2012 | 60.09p | 53.23p | 2.1558p |
| 2013 | 62.03p | 57.01p | 2.2385p |
| 2014[1] | 59.56p | 57.72p | 0.6017p |
| **Accumulation Units** | | | |
| 2009 | 74.61p | 54.63p | 3.3262p |
| 2010 | 84.01p | 74.33p | 3.1978p |
| 2011 | 86.26p | 79.51p | 3.6396p |
| 2012 | 97.93p | 83.57p | 3.4245p |
| 2013 | 102.40p | 94.95p | 3.7048p |
| 2014[1] | 101.30p | 97.85p | 1.0196p |

[1] The above tables show the highest offer and lowest bid prices to 22 February 2014 and the net revenue per unit to 21 March 2014.

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## Unit Price Range and Net Revenue continued

### F-Class Units*

| Year | Highest Offer | Lowest Bid | Net Revenue |
|---|---|---|---|
| **Distribution Units** | | | |
| 2012[1] | 60.70p | 57.19p | 0.6895p |
| 2013 | 62.66p | 57.59p | 2.1705p |
| 2014[2] | 60.16p | 58.31p | 0.5771p |
| **Accumulation Units** | | | |
| 2012[1] | 95.72p | 88.95p | 1.0942p |
| 2013 | 100.10p | 92.74p | 3.4659p |
| 2014[2] | 98.85p | 95.47p | 0.9451p |

* There are no prior year comparatives for F-Class which launched on 17 August 2012.

(1) From 17 August 2012.

(2) The above table shows the highest offer and lowest bid prices to 22 February 2014 and the net revenue per unit to 21 March 2014.

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## Manager's Investment Report

During the year under review, the bid price of the Trust's R-Class accumulation units rose by 3.16%. Over the same period, the iBoxx Sterling Collateralized and Corporates Total Return Index rose by 4.30% (Source: Rimes).

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## Market/Economic Review

Following mixed returns during the first half of the reporting year, Sterling corporate bond markets subsequently rallied, ending the 12 months under review with modest gains.

Optimism that the improving global economic outlook would lift companies' earnings growth and hopes that inflation would remain subdued helped corporate bonds to perform well in early 2013. However, news that the US Federal Reserve (Fed) was aiming to end its bond-buying quantitative easing (QE) programme weighed on sentiment in risk-based investments, such as corporate bonds, late in the second quarter. Nevertheless, markets recovered from a bout of volatility after the Fed subsequently reassured that the demise of QE would not necessarily dictate the end of the near-zero short-term interest rates that have supported the US recovery and boosted demand for riskier assets.

Although UK government bonds delivered disappointing returns in late 2013, Sterling corporate bonds performed relatively well, buoyed by optimism that encouraging UK and Eurozone economic news would underpin corporate profits growth. With the US employment market improving, the Fed confounded expectations by maintaining QE during the third quarter, suggesting that the economic recovery needed sustained support in the face of ongoing headwinds, such as political disagreements over budgeting. Although the Eurozone economic recovery showed signs of faltering in late 2013, the UK recovery continued apace, while rising expectations that the buoyancy of the US economy would negate the need for QE stimulus throughout 2014 were vindicated. The Fed announced that its QE programme would be progressively trimmed from January, a move that exacerbated concerns over the health of some emerging economies that had benefitted from QE-related capital inflows.

Over the review year, corporate bonds outperformed the broadly flat returns generated by gilts, with debt issued from financial companies slightly underperforming bonds from non-financial corporates. High yield bonds delivered stronger returns, underpinned by investors' ongoing preference for income.

## Trust Review

We maintained a resilient positioning stance overall, aiming to benefit from the outperformance of credit markets while weathering volatility, aided by diversification beyond the Eurozone early in the review year. We selectively added to our high yield exposure in issues capitalising on the recovery in the US automotive market, such as components supplier Lear Corp. We also employed Index-based derivatives to hedge some of our high yield exposure to help cushion the portfolio from volatility, while still seeking to add value through stock selection.

We continued to add exposure to issuers with strong credit profiles in defensive sectors, such as German utility RWE, while also adding high yield debt from French issuers, such as Médi-Partenaires, taking the view that the well-managed hospitals group should be relatively insulated from sovereign (government) risk. Although we trimmed exposure to financials most exposed to the rising prospect that US QE would be wound down, we raised exposure to media group Time Warner at advantageous levels benefitting from reports of potential merger & acquisition activity that could affect its credit rating.

We retained a wary overall stance to financials, but took the view that debt further down the corporate capital structure offered good value, particularly in insurers. We acquired a new issue from BPCE, France's second-largest bank, as we sought to capitalise on the improving sentiment as growth returned in Europe. Meanwhile, we added exposure to Czech electricity producer CEZ and Telecom Italia.

Within the high yield portfolio, we locked in some gains among automotive issues following good returns, lowering exposure to car maker Chrysler and Indian tyre maker Gajah Tunggal. However, given our positive view on the prospects for the world economy, we continued to favour high yield, adding exposure to global shipping firm Navios and Topaz Marine, a provider of marine-based support to energy industry.

## Outlook

We expect the global recovery to remain on track through 2014. However, some risk arises as to the sustainability of the global recovery as the Fed reduces its stimulus. Emerging markets have borne the brunt of concerns in early 2014, particularly those most reliant on foreign capital to plug deficits or countries facing acute domestic political problems.

Despite some political uncertainty in countries such as Italy, the Eurozone's return to growth has eased some lingering tensions in the single currency bloc, while the UK recovery has gained momentum, helped by consumer activity and the housing market's revival. Although recent extreme weather has influenced US employment data, the overall picture is one of economic improvement. We have therefore retained the portfolio's resilient stance, favouring higher yielding assets including hybrid non-financial corporates and subordinated financials, especially insurers. We continue to see value in high yield given investors' ongoing search for income and the sector's relatively low exposure to rising government bond yields.

Legal & General Investment Management Limited
(Investment Adviser)
26 February 2014

## 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.

## Minimum Investment Amounts

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

| | |
|---|---|
| R-Class | £500 |
| I-Class | £1,000,000 |
| F-Class | £500 |

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

F-Class units are only available for investment through a financial adviser.

## Other Information

The information in this report is designed to enable unitholders to understand how the Trust has performed during the year under review and how it is invested at the year 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.

### Authorised Fund Manager
Legal & General (Unit Trust Managers) Limited
Registered in England and Wales No. 01009418
Registered office:
One Coleman Street,
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Telephone: 0370 050 3350
Authorised and regulated by the Financial Conduct Authority

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

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Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority

### Independent Auditors
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