

Legal & General International Index Trust

**Annual Manager's  
Short Report  
for the year ended  
6 October 2013**





## Investment Objective and Policy

The investment objective of the Trust is to track the capital performance of global equity markets, as represented by the FTSE World (excluding UK) Index, by investment mainly in a representative sample of stocks selected from all economic sectors.

Exposure to securities in the FTSE World (excluding UK) Index will be held with weightings generally proportionate to each company's market capitalisation. Derivatives will be used for efficient portfolio management purposes only.

Where the Trust is of a relatively small size, the accuracy of the weighting of holdings may not reflect the composition of the FTSE World (excluding UK) Index.

From time to time non-Index constituents may be held as a result of a corporate action and these holdings will be sold or transferred as soon as reasonably practical.

The Trust may also invest in deposits, cash, near cash, Collective Investment Schemes and money market instruments.

## Risk Profile

### 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.

## Trust Facts

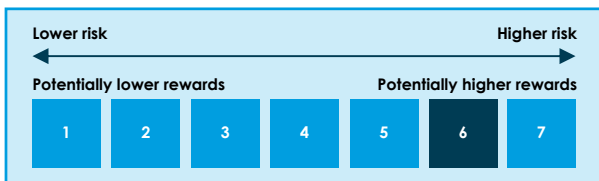
Period End Dates for Distributions:	6 Apr, 6 Oct	
Distribution Dates:	6 Jun, 6 Dec	
Ongoing Charges Figures:	6 Oct 13	6 Oct 12
R-Class	0.92%	0.90%
I-Class	0.36%	0.39%
F-Class*	0.52%	—

\* There are no prior year comparatives for the F-Class which launched on 19 December 2012.

The Ongoing Charges Figure (OCF) is the ratio of the Trust's total discloseable costs (excluding overdraft interest) 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



- 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 six because it invests in company shares which generally provide higher rewards and higher risks than other investments such as bonds, cash or commercial property.
- 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
13 Oct 11†			
R-Class			
Distribution Units	£42,678,454	52.72p	80,949,305
Accumulation Units	£28,272,320	55.68p	50,773,809
I-Class			
Distribution Units	£52,113,239	52.71p	98,864,908
Accumulation Units	£34,676,616	56.56p	61,313,171
6 Oct 12			
R-Class			
Distribution Units	£52,419,327	58.68p	89,337,142
Accumulation Units	£49,100,924	62.88p	78,087,516
I-Class			
Distribution Units	£76,547,711	58.68p	130,459,519
Accumulation Units	£43,697,959	64.19p	68,074,794
6 Oct 13			
R-Class			
Distribution Units	£63,467,455	67.81p	93,593,982
Accumulation Units	£49,223,433	73.74p	66,749,327
I-Class			
Distribution Units	£109,434,590	67.84p	161,314,788
Accumulation Units	£85,759,340	75.71p	113,275,219
F-Class*			
Distribution Units	£43,184	67.96p	63,543
Accumulation Units	£558,531	74.11p	753,661

† To accommodate the transfer of fund administration, the Trust's period end date, normally 6 October, was moved to 13 October. The Trust reverted back to its usual period end date as of 6 October 2012.

\* F-class units launched on 19 December 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 6 December 2013 is 0.5389p net per unit for distribution units and 0.5812p net per unit for accumulation units.

### I-Class

The distribution payable on 6 December 2013 is 0.7424p net per unit for distribution units and 0.8186p net per unit for accumulation units.

### F-Class

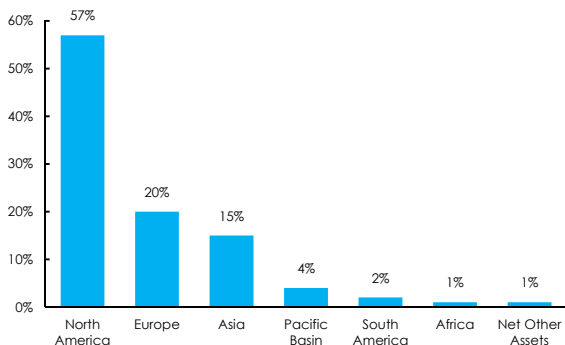
The distribution payable on 6 December 2013 is 0.6735p net per unit for distribution units and 0.7272p net per unit for accumulation units.

## Portfolio Information

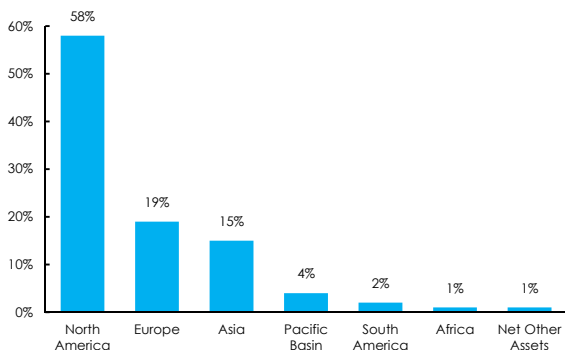
The top 10 holdings and their associated weighting for the current and preceding year are:

Top 10 Holdings at 6 October 2013		Top 10 Holdings at 6 October 2012	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
Apple	1.45%	Apple	2.30%
Exxon Mobil	1.26%	Exxon Mobil	1.59%
Microsoft	0.84%	Microsoft	0.95%
General Electric	0.82%	General Electric	0.91%
Johnson & Johnson	0.80%	IBM	0.90%
Google 'A'	0.79%	Chevron	0.86%
Chevron	0.76%	AT&T	0.81%
Nestle	0.74%	Nestle	0.78%
Wells Fargo & Co	0.72%	Google 'A'	0.74%
Procter & Gamble	0.70%	Procter & Gamble	0.72%

## Trust Holdings as at 6 October 2013



## Trust Holdings as at 6 October 2012



## Unit Price Range and Net Revenue

### R-Class Units

Year	Highest Offer	Lowest Bid	Net Revenue
<b>Distribution Units</b>			
2008 <sup>(1)</sup>	55.76p	36.18p	0.5027p
2009	52.87p	34.91p	0.7453p
2010	59.61p	49.64p	0.6652p
2011	61.33p	49.09p	0.8082p
2012	59.92p	53.53p	0.8535p
2013 <sup>(2)</sup>	71.71p	60.03p	0.9672p
<b>Accumulation Units</b>			
2008 <sup>(1)</sup>	55.75p	36.61p	0.5027p
2009	54.37p	35.33p	0.7596p
2010	62.04p	51.25p	0.6877p
2011	64.10p	51.31p	0.8451p
2012	63.70p	56.85p	0.9053p
2013 <sup>(2)</sup>	77.38p	64.33p	1.0388p

### I-Class Units

Year	Highest Offer	Lowest Bid	Net Revenue
<b>Distribution Units</b>			
2008 <sup>(1)</sup>	56.13p	36.18p	0.5966p
2009	52.91p	34.73p	0.8968p
2010	59.67p	49.69p	0.9142p
2011	61.40p	49.21p	1.0828p
2012	69.32p	53.38p	1.1416p
2013 <sup>(2)</sup>	71.79p	60.12p	1.3380p
<b>Accumulation Units</b>			
2008 <sup>(1)</sup>	56.13p	36.69p	0.5966p
2009	54.76p	35.22p	0.9136p
2010	62.78p	51.52p	0.9497p
2011	65.03p	52.11p	1.1431p
2012	65.09p	57.73p	1.2306p
2013 <sup>(2)</sup>	79.26p	65.76p	1.4677p

<sup>(1)</sup> From 31 March 2008.

<sup>(2)</sup> The above tables show the highest offer and lowest bid prices to 6 October 2013 and the net revenue per unit to 6 December 2013.

**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.**

## Unit Price Range and Net Revenue continued

### F-Class Units\*

Year	Highest Offer	Lowest Bid	Net Revenue
<b>Distribution Units</b>			
2012 <sup>(1)</sup>	59.44p	58.74p	—
2013 <sup>(2)</sup>	71.90p	59.92p	1.1836p
<b>Accumulation Units</b>			
2012 <sup>(1)</sup>	63.73p	63.20p	—
2013 <sup>(2)</sup>	77.64p	64.47p	1.2736p

\* F-Class units launched on 19 December 2012.

<sup>(1)</sup> The above table shows the highest and lowest prices from 19 December 2012 to 31 December 2012.

<sup>(2)</sup> The above table shows the highest offer and lowest bid prices to 6 October 2013 and the net revenue per unit to 6 December 2013.

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## **Manager's Investment Report**

During the year under review, the bid price of the Trust's R-Class distribution units rose from 59.16p to 68.33p, an increase of 15.50%. FTSE, the Index compiler, calculates the benchmark Index at the end of the business day using closing prices and foreign exchange rates, whereas the Trust is valued using prevailing prices at 3pm. Therefore, for tracking purposes the Trust has been revalued using closing prices and foreign exchange rates. On this basis, over the review year from the close of business on 5 October 2012 (the last working day of the prior accounting year) to the close of business on 4 October 2013 (the last working day of the accounting year under review), the Trust rose by 16.18% on a capital only basis compared with the FTSE World (excluding UK) Index increase of 16.15% (Source: Bloomberg), producing a tracking difference of +0.03%.

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## **Market/Economic Review**

The global economy has faced several headwinds over the review year. Initially, the European sovereign (government) debt crisis held centre stage as policymakers struggled to address concerns that a number of heavily indebted countries would be forced to leave the Euro. The emerging market economies were, at first, the driving force of global growth but there was a slowdown in China as the authorities attempted to cool credit-fuelled spending. Governments in the G7 countries have, to varying degrees, implemented austerity programmes while simultaneously leaving interest rates at historically low levels. In the US, UK and Japan this has been accompanied by further asset purchases and quantitative easing (QE) aimed at reviving growth.

As US economic data began to improve in the latter part of the review year, concerns that the US Federal Reserve (Fed) would scale back QE emerged in May 2013. These were subsequently vindicated as Fed Chairman Ben Bernanke announced in June that, should the economy continue to recover in line with forecasts, the pace of QE would be tapered during the second half of 2013, with the programme on course to end by mid-2014. This sparked a slide in equity markets across the globe that lasted into late summer. The tapering discussions also sparked currency stress in major emerging

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

market economies, with several exchange rates falling by 15% or more between May and August. Reassurance that US interest rate rises were not on the immediate horizon, coupled with a bout of some softer US economic data, helped markets recover in July but the volatility around expected interest rate movements continued throughout the remainder of the review year.

Despite the better economic data posted across developed markets, lingering concerns included the prolonged austerity programmes in the eurozone and the impact from a potential slowdown in the major emerging economies.

The Trust's benchmark, the FTSE World (excluding UK) Index, finished the review year up 16.2%. The best performing countries were Finland (+42.4%), Ireland (+40.0%) and Japan (+29.5%), while the worst performing countries were Czech Republic (-19.9%), Brazil (-9.3%) and Hungary (-7.5%). The US was up 17.4% over the review year.

### **Trust Review**

Companies held within the Trust are held with weightings generally proportionate to those of the benchmark Index. Therefore, investment activity, other than to raise or invest cash, is only necessary when there are changes to the benchmark Index, or as a result of a corporate action.

The quarterly Index review in December 2012 resulted in only one deletion. This was for CCX Carvao da Colombia (Brazil), which was a fast-exit deletion after its market cap dropped below the threshold size. There were, however, changes to the free share capital of 365 constituents; the largest increase was for Apple (US) and the most significant decrease was for Pfizer (US).

At the March 2013 Index review, the free float methodology (a method of calculating the market capitalisation of companies within an Index) was changed from banded to actual, resulting in a free float change for over half of the constituent companies. The review also included 86 additions, of which the largest were LinkedIn and Ensco 'A' (both US). There were also 112 deletions, 34 of which were Chinese P-Chips which had their nationality reclassified from Hong Kong to China by FTSE. The largest of these were Tencent Holdings and Belle International Holdings (both Cayman Islands). Of the free float changes, decreases for Wal-Mart Stores (US) and Samsung Electronics (South Korea) were the largest.

At the quarterly Index review in June 2013 there were four additions of which the largest was Realty Income (US), and two deletions. There were also 380 changes to the free share capital of constituents, with the largest increase being Rogers Communications (Canada), and the largest decrease being Inditex (Spain).

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

The September 2013 quarterly Index review resulted in three additions and four deletions. The largest addition was Evonik Industries (Germany) and the largest deletion was de Master Blenders 1753 (Netherlands). There were also 286 changes to the free share capital of constituents.

At each of the Index review effective dates, the Trust was rebalanced accordingly.

Outside the Index reviews, a number of stocks were deleted from the Index as a result of acquisitions. Canadian energy company Nexen (Canada) was acquired by the Chinese company CNOOC and was subsequently deleted from the Index. In Singapore, Fraser & Neave was deleted from the Index after TCC Assets Limited's cash offer reached the minimum acceptance level of 90%. Heinz (HJ) was acquired for cash by Berkshire Hathaway (both US). The most notable addition outside the Index reviews was pharmaceutical company AbbVie (US), which was added to the Index following a demerger from fellow constituent Abbott Laboratories (US).

At the end of the review year, the Trust had holdings spread across 34 countries, with North America accounting for 56.7%, Europe (excluding UK) 20.1%, Japan 9.3% and the other regions 12.7%. The top five holdings were Apple (1.5%), Exxon Mobil (1.3%), Microsoft (0.8%), General Electric (0.8%), and Johnson & Johnson (0.8%).

## **Outlook**

We believe that the global economy remains on track for slow and steady growth this year, now with a greater contribution to growth sourced from advanced economies. Tapering of US asset purchases by the Fed is likely to proceed cautiously. Janet Yellen, named as the successor to Ben Bernanke as Chairman, is expected to follow current Fed data-dependent policy with, if anything, a more dovish (in favour of maintaining low interest rates in an effort to stimulate the economy) attitude to monetary policy. In the eurozone, Angela Merkel staying in power has left post-election Germany relatively unchanged with a supportive bias towards a eurozone solution.

Pockets of emerging market economies running current account deficits look increasingly vulnerable. Termed the 'fragile five', South Africa, Indonesia, Turkey, Brazil and India are most at risk because of external funding requirements. However, the majority of the largest emerging markets do not face funding challenges and those that do are still in much better shape than in the 1990's during the last emerging market crisis. There are a number of potential risks looking ahead, not least US debt negotiations, Middle East volatility and European political uncertainty but the market does not seem particularly vulnerable unless the situation markedly deteriorates. Should the economic backdrop improve in line with consensus forecasts, risk assets should be supported in the medium term and there is potential for improving global growth going forward.

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

The Trust remains well positioned to capture the market performance.

Legal & General Investment Management Limited

(Investment Adviser)

22 October 2013

## **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.

## **Information on Tracking Error**

The 'Tracking Error' of a Trust is the measure of the volatility of the differences between the return of the Trust and the return of the benchmark Index. It provides an indication of how closely the Trust is tracking the performance of the benchmark Index after considering things such as Trust charges and taxation.

Using monthly returns, over the review year, the annualised Tracking Error of the Trust is 0.06%, whilst over the last three years to the end of October 2013, the annualised Tracking Error is 0.08%. These Tracking Errors are within the anticipated Tracking Error levels set out in the Trust's Prospectus of 0.75% per annum.

## **Fund Merger**

As a result of the Extraordinary General Meeting on 26 October 2012, the Legal & General (Barclays) Worldwide Trust merged into the Legal & General International Index Trust on 2 November 2012. On this date, the Legal & General (Barclays) Worldwide Trust ceased to exist, its net assets were transferred into the Legal & General International Index Trust, and unitholders of the Legal & General (Barclays) Worldwide Trust have been allocated units in the Legal & General International Index Trust to the exact same value of their holding before the merger took place.

## **Significant Changes**

### **New Unit Class: F-Class**

With effect from 19 December 2012, the Trust launched a new F-Class with distribution and accumulation units available.

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

### **Change to Annual Management Charge**

With effect from 1 April 2013, the annual management charge fee for I-Class units has been reduced from 0.30% to 0.25%.

## **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

## **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.

## **Manager**

Legal & General (Unit Trust Managers) Limited

Registered in England 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**

National Westminster Bank Plc

Trustee and Depositary Services

135 Bishopsgate

London EC2M 3UR

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

## **Independent Auditors**

PricewaterhouseCoopers LLP

7 More London Riverside

London SE1 2RT



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Financial Conduct Authority**

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