

Legal & General Asian Income Trust

**Interim Manager's  
Short Report  
for the period ended  
10 March 2014**

**EVERY  
DAY  
MATTERS.®**





## Investment Objective and Policy

The investment objective is to generate income with some potential for capital growth through exposure mainly to Asian securities.

The Trust will invest mainly in securities across all economic sectors which are registered and quoted in the countries included within the FTSE All-World Index Pacific Basin (excluding Japan), the Indian sub-continent and securities quoted on other stock exchanges where the underlying assets of those securities reflect investments in the economies of the countries listed above.

## 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.

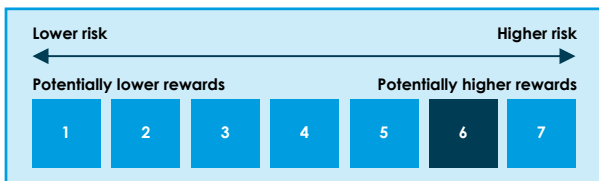
## Trust Facts

Period End Dates for Distributions:	10 Mar, 10 Jun, 10 Sep, 10 Dec	
Distribution Dates:	10 Feb, 10 May, 10 Aug, 10 Nov	
Ongoing Charges Figures:	10 Mar 14	10 Sep 13
E-Class	1.71%	1.73%
R-Class	1.71%	1.73%
I-Class	0.82%	0.84%
F-Class	1.21%	1.23%

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
10 Sep 11			
E-Class			
Distribution Units	£85,739,400	380.70p	22,521,760
Accumulation Units	£1,667,691	444.41p	375,260
R-Class			
Distribution Units	£983,931	380.70p	258,456
Accumulation Units	£4,466,335	444.41p	1,005,004
10 Sep 12			
E-Class			
Distribution Units	£90,866,679	403.95p	22,494,812
Accumulation Units	£1,716,485	495.98p	346,083
R-Class			
Distribution Units	£1,811,653	403.95p	448,490
Accumulation Units	£5,720,653	495.98p	1,153,403
I-Class*			
Distribution Units	£967	406.30p	238
Accumulation Units	£988	498.99p	198
10 Sep 13			
E-Class			
Distribution Units	£102,262,075	455.21p	22,464,637
Accumulation Units	£2,088,974	582.75p	358,468
R-Class			
Distribution Units	£3,325,046	455.21p	730,437
Accumulation Units	£10,482,718	582.75p	1,798,836
I-Class*			
Distribution Units	£1,452,645	463.70p	313,273
Accumulation Units	£4,870,936	591.12p	824,017
F-Class**			
Distribution Units	£1,060	458.87p	231
Accumulation Units	£34,124	587.64p	5,807
10 Mar 14			
E-Class			
Distribution Units	£94,540,487	420.94p	22,459,350
Accumulation Units	£1,768,331	546.62p	323,501
R-Class			
Distribution Units	£2,800,437	420.93p	665,292
Accumulation Units	£11,846,191	546.62p	2,167,182
I-Class*			
Distribution Units	£2,489,214	429.09p	580,118
Accumulation Units	£7,343,165	556.91p	1,318,546
F-Class**			
Distribution Units	£983	425.54p	231
Accumulation Units	£22,053	552.57p	3,991

\* I-Class units launched on 17 August 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**

### **E-Class**

The distribution payable on 10 May 2014 is 3.4931p net per unit for distribution units and 4.4985p net per unit for accumulation units.

### **R-Class**

The distribution payable on 10 May 2014 is 3.4931p net per unit for distribution units and 4.4985p net per unit for accumulation units.

### **I-Class**

The distribution payable on 10 May 2014 is 3.5672p net per unit for distribution units and 4.5846p net per unit for accumulation units.

### **F-Class**

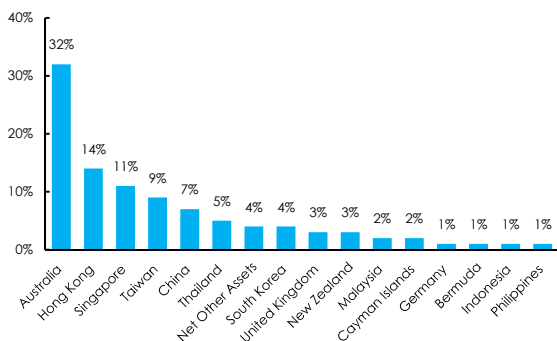
The distribution payable on 10 May 2014 is 3.5151p net per unit for distribution units and 4.5417p net per unit for accumulation units.

## Portfolio Information

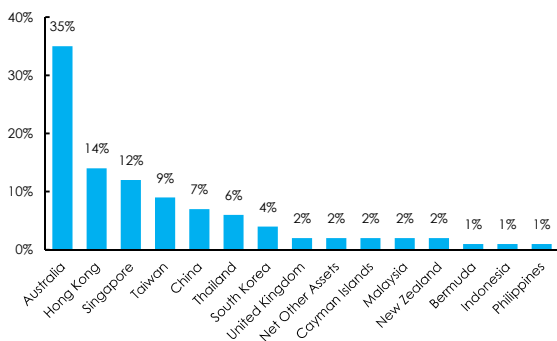
The top 10 holdings and their associated weighting for the current period and preceding year are:

Top 10 Holdings at 10 March 2014		Top 10 Holdings at 10 September 2013	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
Australia & New Zealand Banking Group	4.27%	Australia & New Zealand Banking Group	5.09%
SJM Holdings	2.77%	Arrium	2.59%
Rio Tinto	2.37%	Advanced Info Services	2.46%
China Construction Bank 'H'	2.31%	SJM Holdings	2.41%
AMP	2.13%	Rio Tinto	2.33%
Transurban Group	1.97%	Bank of China 'H'	2.27%
Bank of China 'H'	1.96%	BOC Hong Kong	2.13%
Taiwan Semiconductor Manufacturing	1.93%	Singapore Technologies	2.03%
Quanta Computer	1.93%	Myer Holdings	2.00%
BOC Hong Kong	1.91%	DBS Holdings	1.98%

## Trust Holdings as at 10 March 2014



## Trust Holdings as at 10 September 2013



## Unit Price Range and Net Revenue

### E-Class Units

Year	Highest Offer	Lowest Bid	Net Revenue
<b>Distribution Units</b>			
2009	378.40p	226.80p	13.5631p
2010	437.10p	356.10p	16.2163p
2011	434.90p	333.70p	20.1319p
2012	439.30p	366.40p	19.6341p
2013	516.20p	424.00p	19.1177p
2014 <sup>(1)</sup>	430.40p	409.00p	6.1034p
<b>Accumulation Units</b>			
2009	402.80p	230.70p	13.9799p
2010	485.00p	379.40p	17.4137p
2011	489.40p	389.60p	22.5633p
2012	542.70p	431.70p	23.3386p
2013	641.50p	537.30p	23.8221p
2014 <sup>(1)</sup>	554.30p	526.70p	7.8401p

### R-Class Units

Year	Highest Offer	Lowest Bid	Net Revenue
<b>Distribution Units</b>			
2009	397.30p	226.80p	13.5631p
2010	459.00p	356.10p	16.2163p
2011	456.60p	333.70p	20.1319p
2012	461.20p	366.40p	19.6341p
2013	542.00p	424.00p	19.1177p
2014 <sup>(1)</sup>	451.90p	409.00p	6.1034p
<b>Accumulation Units</b>			
2009	422.90p	230.70p	13.9799p
2010	509.20p	379.40p	17.4137p
2011	513.90p	389.60p	22.5633p
2012	569.80p	431.70p	23.3386p
2013	673.60p	537.30p	23.8221p
2014 <sup>(1)</sup>	582.00p	526.70p	7.8401p

<sup>(1)</sup> The above tables show the highest offer and lowest bid prices to 10 March 2014 and the net revenue per unit to 10 May 2014.

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## Unit Price Range and Net Revenue continued

### I-Class Units\*

Year	Highest Offer	Lowest Bid	Net Revenue
<b>Distribution Units</b>			
2012 <sup>(1)</sup>	442.90p	404.50p	7.5420p
2013	522.30p	431.30p	19.3198p
2014 <sup>(3)</sup>	438.10p	416.50p	6.1931p
<b>Accumulation Units</b>			
2012 <sup>(1)</sup>	547.10p	491.00p	9.0808p
2013	648.90p	544.00p	24.0022p
2014 <sup>(3)</sup>	564.00p	536.10p	7.9493p

### F-Class Units\*\*

Year	Highest Offer	Lowest Bid	Net Revenue
<b>Distribution Units</b>			
2012 <sup>(2)</sup>	441.00p	429.90p	—
2013	519.50p	428.10p	16.5237p
2014 <sup>(3)</sup>	434.80p	413.30p	6.1471p
<b>Accumulation Units</b>			
2012 <sup>(2)</sup>	545.00p	531.20p	—
2013	645.80p	541.30p	20.6407p
2014 <sup>(3)</sup>	559.90p	532.20p	7.9134p

\* I-Class units launched on 17 August 2012.

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

<sup>(1)</sup> The above table shows the highest offer and lowest bid prices from 17 August 2012 to 31 December 2012.

<sup>(2)</sup> The above table shows the highest offer and lowest bid prices from 19 December 2012 to 31 December 2012.

<sup>(3)</sup> The above tables show the highest offer and lowest bid prices to 10 March 2014 and the net revenue per unit to 10 May 2014.

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## **Manager's Investment Report**

During the period under review, the bid price of the Trust's R-Class accumulation units fell from 581.70p to 545.50p, a decrease of 6.22%. This compares to a fall in the FTSE All-World Asia Pacific (excluding Japan) Index of 3.87% on a total return, Sterling adjusted basis (Source: Bloomberg).

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## **Market/Economic Review**

The period under review was difficult for Asia's equity markets. As the US Federal Reserve ultimately started to taper its quantitative easing programme, long term bond interest rates rose and investors became increasingly cautious on the implications for emerging market economies. Weak economic outturns from China, where the economic transition remains shaky, and political unrest in Thailand, further undermined regional confidence. China and Thailand were significantly the weakest markets in the region, down 11.5% and 10.8%, Sterling adjusted, on a total return basis. The strongest markets were India and New Zealand which both rebounded from particular weakness prior to this period.

Within China, a key event was the 3rd Plenary Meeting of the Chinese communist leadership. This led to publication of a relatively detailed ambition statement highlighting the intent to move towards more market orientated economic systems. Within the many programmes discussed was a gradual relaxation of the Houku residential rights system, which prevents free movement of individuals around the country, and also a removal of the prohibition of new company listings on the local stock exchanges. This latter move opened the gates for a series of new issues in January which, whilst clearly a long term positive to improve the market's quality, caused weakness in the short term as it was seen as creating an overhang of new stock supply.

Beyond China, the economic uncertainty followed through to the Australian Dollar which lost ground during this period. This weakness, combined with the recent Reserve Bank interest rate cut, helped to boost the domestic economy. The housing market and retail sectors clearly showed signs of improvement.

In Thailand, the Government of Yingluck Shinawatra struggled against a series of mass protests in Bangkok. A general election was held but boycotted by the opposition Democrat Party, leaving the situation highly unsettled. Elsewhere in elections, investors eagerly await the Indian poll where the current Congress led coalition is likely to succumb to a Narendra Modi led BJP (Bharatiya Janata Party). Enthusiasm for more business friendly policies helped the local market to recover sharply.

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

### **Trust Review**

The Trust's top performer was SJM Holdings, a Hong Kong-listed leisure group and casino operator with facilities in Macau. Visitor numbers and cash flows amongst Macau's gaming stocks have remained resilient despite the economic stress. Arrium, an Australian steel producer also performed well, as iron ore prices continued to be more robust than expected by many forecasters and investors began to appreciate the extent and potential of the company's operations beyond producing steel.

Underperformers over this period included a number of our Thai stocks, such as Advanced Info Services, the mobile telecommunications provider and PTT, the state controlled oil and gas company, which suffered as the political unrest surrounding the elections prompted widespread falls. In Australia, QBE Insurance Group was also weak over the period. The Australian global insurance provider announced a profit warning in December, blaming weak trading in the US for the problems.

Key transactions during the period under review were to sell some of the best performing holdings as their capital appreciation brought yields down and their valuations up to relatively expensive levels. These included Australia & New Zealand Banking Group, which had been strong for a sustained period of time due to its diversified exposure to high growth markets and Arrium, which is discussed above. These funds were reinvested into a diverse list of names. Our most significant investment over the period was in New Zealand based Meridian Energy, a previously state owned hydro-electric power generator company, which was bought at its initial public offering. This is a highly cash generative company and has a strong dividend commitment. We also initiated a position in Coal India, a majority state owned coal miner, which is now the Trust's first holding on the subcontinent. The company has an attractive yield and there is the potential for increased distributions driven by the Indian government.

### **Outlook**

On a relative basis, Asian Equity markets have been weak over the last six months. The Fed's asset purchase tapering, which started in December 2013, has induced significant volatility in the region, particularly in some of the smaller nations of the Association of Southeast Asian Nations. Our expectation is that this trend will moderate as the underlying economies remain resilient: infrastructure spending remains important and affordable, intra-regional trade is growing and the growth of the consumer provides long term support.

It is clearly important to consider global macroeconomics, as well as Asian factors when investing in the region. On the other hand, in the current environment, when underlying profit growth in the region appears to be healthy and valuations remain well below long term norms, there are a wealth of opportunities for stock pickers to add value.

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

Income investing in Asia continues to develop as a theme. The culture of shareholder recognition and improving dividend payments is growing, which could help to encourage further dividend progression.

The manager continues to look for high yield opportunities in combination with attractive overall valuations to maximise the total return, provided by the Trust.

Legal & General Investment Management Limited  
(Investment Adviser)

1 April 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](http://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:

E-Class	£100,000
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 period under review and how it is invested at the period 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,

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



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

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