

Legal & General Mixed Investment Fund

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

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DAY  
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## Investment Objective and Policy

The Fund aims to provide long-term growth of both capital and income.

The Fund will invest between 40 - 85% in a broad range of UK and overseas companies' shares with the balance predominantly in fixed interest securities. Exposure to these asset classes will be achieved generally through investment in collective investment schemes but may also be achieved by investing directly in assets. At times the Fund may be fully invested in collective investment schemes only or directly invested only. The collective investment schemes invested in may include those managed or operated by Legal & General. The Fund may also invest in other transferable securities, other collective investment schemes, money market instruments, deposits, cash and near cash. The Fund will use derivatives for efficient portfolio management purposes only.

## Risk Profile

Credit risk	This Fund holds investments in Collective Investment Schemes which directly invest 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.
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 Fund holds investments in Collective Investment Schemes that invest in overseas financial securities. The performance of the Fund may therefore be affected by changes in exchange rates through its holdings in these schemes.
Interest rate risk	This Fund holds investments in interest distributing funds. The performance of the Fund may therefore be affected by changes in interest rates through its holdings in these schemes.

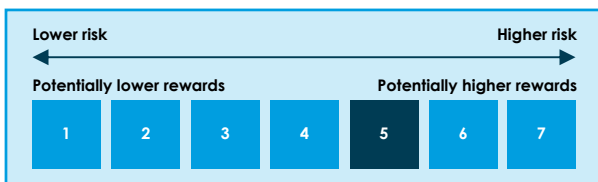
## Fund Facts

Period End Dates for Distributions:		31 Mar, 30 Sep
Distribution Dates:		31 May, 30 Nov
Ongoing Charges Figures:	31 Mar 14	30 Sep 13
A-Class	1.69%	1.68%
R-Class	1.69%	1.68%
I-Class	0.35%	0.79%
F-Class	1.19%	1.18%

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

## Risk and Reward Profile



- This risk and reward profile is based on historical data which may not be a reliable indication of the Fund's risk and reward category in the future.
- The category is based on the rate at which the value of the Fund has moved up and down in the past.
- This Fund is in category five because it invests, sometimes through other funds, in a variety of investments. A mixture of higher risk investments and lower risk investments has a balancing effect. Company shares and sub-investment grade bonds generally provide higher rewards and higher risks whereas investment grade bonds generally provide lower rewards and lower risks.
- The Fund's category is not guaranteed to remain the same and may change over time.
- Even a fund in the lowest category is not a risk free investment.

## Fund Performance

Accounting Date	Net Asset Value Of Fund	Net Asset Value Per Unit	Number Of Units In Issue
30 Sep 11			
A-Class			
Distribution Units	£1,352,790	141.21p	957,997
Accumulation Units	£411,780,606	175.70p	234,370,049
R-Class			
Accumulation Units	£3,407,765	175.70p	1,939,572
30 Sep 12			
A-Class			
Distribution Units	£1,317,110	155.37p	847,700
Accumulation Units	£433,412,235	198.29p	218,569,658
R-Class			
Accumulation Units	£3,479,217	198.29p	1,754,568
30 Sep 13			
A-Class			
Distribution Units	£1,576,057	171.90p	916,861
Accumulation Units	£458,411,876	222.55p	205,985,433
R-Class			
Accumulation Units	£3,488,536	222.54p	1,567,578
I-Class*			
Distribution Units	£1,097	172.21p	637
Accumulation Units	£2,027,107	224.51p	902,897
F-Class**			
Accumulation Units	£1,097	223.88p	490
31 Mar 14			
A-Class			
Distribution Units	£1,608,261	173.94p	924,589
Accumulation Units	£450,439,693	225.19p	200,023,597
R-Class			
Accumulation Units	£3,340,429	225.19p	1,483,389
I-Class*			
Distribution Units	£8,135	174.16p	4,671
Accumulation Units	£4,744,381	228.89p	2,072,738
F-Class**			
Accumulation Units	£1,113	227.14p	490

\* I-Class units launched on 31 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**

### **A-Class**

A shortfall for the A-Class arose because the expenses exceeded the revenue of the A-Class. This being the case, there is no interim distribution for the A-Class.

### **R-Class**

A shortfall for the R-Class arose because the expenses exceeded the revenue of the R-Class. This being the case, there is no interim distribution for the R-Class.

### **I-Class**

The distribution payable on 31 May 2014 is 1.0329p net per unit for distribution units and 1.3496p net per unit for accumulation units.

### **F-Class**

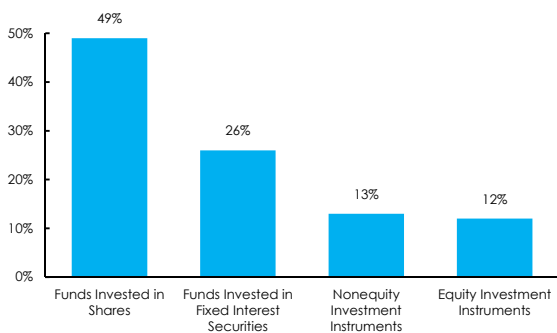
The distribution payable on 31 May 2014 is 0.4510p net per unit for accumulation units.

## Portfolio Information

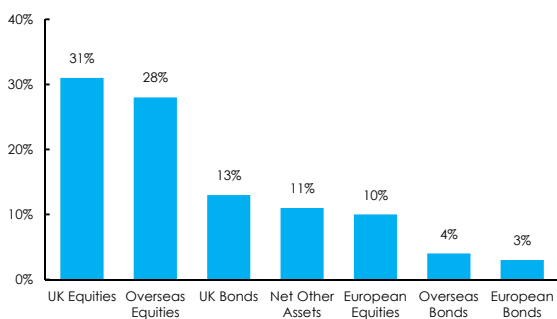
The top 10 holdings and their associated weighting for the current period and preceding year are:

Top 10 Holdings at 31 March 2014		Top 10 Holdings at 30 September 2013	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
Legal & General UK Index Trust (L Class)	12.80%	HSBC Holdings	1.96%
Legal & General Global Emerging Markets Index Fund (L Class)	9.70%	Vodafone Group	1.67%
LGIM Global Corporate Bond Fund (B Class)	9.34%	BP	1.64%
Legal & General US Index Trust (I Class)	9.07%	Royal Dutch Shell 'B'	1.63%
Legal & General European Index Trust (I Class)	8.01%	GlaxoSmithKline	1.13%
Legal & General High Income Trust (I Class)	6.67%	Rio Tinto	0.91%
LGIM Sterling Liquidity Fund	6.57%	British American Tobacco	0.84%
iShares Developed Markets Property Yield UCITS ETF	6.49%	BG Group	0.81%
iShares Emerging Markets Local Government Bond UCITS ETF	6.10%	AstraZeneca	0.78%
Legal & General Japan Index Trust (I Class)	4.94%	Treasury 1% 07/09/2017	0.75%

## Fund Holdings as at 31 March 2014



## Fund Holdings as at 30 September 2013





## Unit Price Range and Net Revenue

### A-Class Units

Year	Highest Price	Lowest Price	Net Revenue
<b>Distribution Units</b>			
2009	141.70p	101.00p	2.3004p
2010	157.70p	134.80p	1.9237p
2011	160.20p	137.20p	2.2406p
2012	160.40p	145.50p	2.4912p
2013	180.60p	161.10p	2.5041p
2014 <sup>(2)</sup>	174.20p	168.00p	—
<b>Accumulation Units</b>			
2009	173.10p	121.10p	2.7732p
2010	195.20p	165.50p	2.3574p
2011	199.40p	172.40p	2.7825p
2012	204.40p	183.90p	3.1402p
2013	231.80p	205.20p	3.2071p
2014 <sup>(2)</sup>	225.50p	217.40p	—

### R-Class Units

Year	Highest Price	Lowest Price	Net Revenue
<b>Accumulation Units</b>			
2009 <sup>(1)</sup>	173.10p	121.10p	2.7732p
2010	195.20p	165.50p	2.3574p
2011	199.40p	172.40p	2.7825p
2012	204.40p	183.90p	3.1402p
2013	231.80p	205.20p	3.2071p
2014 <sup>(2)</sup>	225.50p	217.40p	—

<sup>(1)</sup> From 23 February 2009.

<sup>(2)</sup> The above tables show the highest and lowest prices to 31 March 2014 and the net revenue per unit to 31 May 2014.

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**Exchange rate changes may cause the value of any overseas investments to rise or fall.**

## Unit Price Range and Net Revenue continued

### I-Class Units\*

Year	Highest Price	Lowest Price	Net Revenue
<b>Distribution Units</b>			
2012 <sup>(1)</sup>	160.80p	154.50p	—
2013	181.10p	161.40p	4.2542p
2014 <sup>(3)</sup>	175.50p	168.90p	1.0329p
<b>Accumulation Units</b>			
2012 <sup>(1)</sup>	204.70p	196.70p	—
2013	233.10p	205.60p	5.4505p
2014 <sup>(3)</sup>	229.30p	220.60p	1.3496p

### F-Class Units\*\*

Year	Highest Price	Lowest Price	Net Revenue
<b>Accumulation Units</b>			
2012 <sup>(2)</sup>	204.50p	203.40p	—
2013	232.50p	205.30p	4.7509p
2014 <sup>(3)</sup>	227.50p	219.20p	0.4510p

\* I-Class units launched on 31 October 2012.

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

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

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

<sup>(3)</sup> The above tables show the highest and lowest prices to 31 March 2014 and the net revenue per unit to 31 May 2014.

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## **Manager's Investment Report**

During the period under review, the Fund's A-Class accumulation units rose by 1.30%, as its equity and fixed-income investments rose in value. The Fund underperformed its peer group as funds within the Investment Management Association Mixed Investment Sector delivered a mean (average) return of 3.73%

(Source: Lipper Hindsight).

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## **Market/Economic Review**

Developed equity markets were stronger over the period from September to March, as the outlook for economic growth in most regions remained broadly positive, but not too strong to unsettle interest rate markets or increase concerns about higher inflation. Economic data in the US was distorted in early 2014 due to the severe winter weather experienced, but the overall trend is still generally improving. There was evidence of stronger growth in the UK with the buoyant housing market supporting retail sales and stronger business confidence flowing through to the jobs market, the unemployment rate fell to 6.9% in February.

Over the two quarters to March 2014, UK equities gained 4.8%, Europe excluding the UK gained 9.0%, while US shares gained 9.2% (all equity market returns are FTSE Total Return, in GBP, source: Bloomberg). Asia-Pacific equities were down slightly. Japanese equities fell 5.9% in GBP terms, mainly as a result of currency movements. Good returns were seen on Listed Infrastructure, while the Listed Real Estate sector produced smaller gains.

Yields on major bond markets (which move inversely to price) were broadly unchanged over the period. Both the Bank of England and the US Federal Reserve have continued to downplay the chances of an imminent start to interest rate hikes.

The stronger UK outlook supported the Pound against other major currencies; the Pound rose from 1.62 to 1.67 against the US Dollar, and from 158.9 to 171.9 versus the Japanese Yen (Source: Bloomberg).

Corporate bonds posted small positive returns as the yield spread between these bonds and comparable government bonds continued to narrow. Emerging market debt (issued in US Dollars) also performed well as the yield spread narrowed against safer US securities.

Both emerging market equities and bonds (issued in Emerging markets by governments), were generally weaker. This was driven by a number of factors, including concerns about China's growth, a number of defaults in Chinese loan trusts and concerns that some

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

Emerging markets (such as Turkey) were overly reliant on foreign investor inflows.

### **Fund Review**

The major positive contribution to Fund performance came from the allocation to UK, US and European equities. Other positive contributions came from the Fund's allocation to High Yield and investment grade bonds, as well as the allocation to Listed Infrastructure.

Negative contributions were made from the allocation to Japanese equities, emerging market equities and emerging market debt (issued in emerging markets).

The management of the Fund was transitioned to Legal and General Investment Management in early October 2013.

From late December 2013 the Fund's equity allocation has been increased (by approximately 10%) and the allocation to bonds reduced. This reflects two factors. The first is our confidence in a sustainable recovery in many developed economies, which we expect to result in continued out-performance of equities over bonds. We also believe that a strategy more aware of the asset allocation in comparable funds (the same IMA category) aids performance comparisons and is better aligned to client's expectations.

The largest increase in allocation was to UK equities, whose allocation was increased from a low of 9% to approximately 15% at the end of March. The largest decrease was to UK index-linked gilts, whose allocation was lowered from a high of approximately 7% to 2% at the end of March. Other changes include a small reduction in the allocation to investment grade credit, and a lower allocation to Commodities to reduce the exposure to a significant slowdown in Chinese growth. Through the period, a 2% position was held in Australian ten year bonds to also act as a hedge against the risk of weaker Chinese growth, which would likely also impact the economies of commodity exporters such as Australia.

### **Outlook**

The Mixed Investment Fund is currently positioned to take advantage of our expectation for higher equity markets over 2014. We see better value in European and Japanese equities compared to US equities over the short-term. Over the medium-term we see Emerging market equities as offering better value compared to developed market equities and expect to see relative returns start to favour emerging markets going forward.

We believe that market participants are currently under-estimating the pace of interest rate hikes that will ultimately be required as both the US and UK economies continue to grow. Because of this we have limited direct exposure to US or UK government bonds within the Fund.

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

Emerging market debt looks reasonably attractive compared to investment grade credit, where the lower yields (in comparison to government bonds) do not offer attractive compensation for potential risks.

We are also looking for ways to position the Fund to take advantage of any moves by the European Central Bank to commence Quantitative Easing (the policy was followed by the Bank of England following the 2008 credit crisis) or other unconventional policy measures. To this end, we have reduced our currency exposure to the Euro and increased the allocation to the Norwegian Krone and to Pound Sterling.

Legal & General Investment Management Limited  
(Investment Adviser)  
24 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.

## **Significant Changes**

### **Change to Investment Objective**

The current investment objective is shown on page 1. Prior to 23 September 2013 the investment objective was:

The Fund aims to provide long-term growth of both capital and income by investing in a broad range of UK and overseas companies' shares and in fixed interest securities.

### **Change to Investment Adviser**

With effect from 1 October 2013, the Investment Adviser of the Fund changed from Aviva Investors Global Services Limited to Legal & General Investment Management Limited.

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

With effect from 1 October 2013, the annual management charge fee for I-Class units has been reduced from 0.75% to 0.30%.

### **Change of Scheme Name**

With effect from 9 June 2014, the Legal & General Mixed Investment Fund will be changing its name to the Legal & General Mixed Investment 40-85% Fund.

### **Change of Valuation Point**

With effect from 9 June 2014, the valuation point will be changing from noon to 3pm.

### **Minimum Investment Amounts**

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

A-Class	£20
R-Class	£20
I-Class	£1,000,000
F-Class	£500

In addition, monthly contributions can be made into the A-Class, R-Class and F-Class, with a minimum amount of £20 per month.

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

### **Other Information**

The information in this report is designed to enable unitholders to understand how the Fund 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 Fund 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

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

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