

Legal & General International Index Trust

**Interim Manager's  
Short Report  
for the period ended  
6 April 2014**

**EVERY  
DAY  
MATTERS.®**





## 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

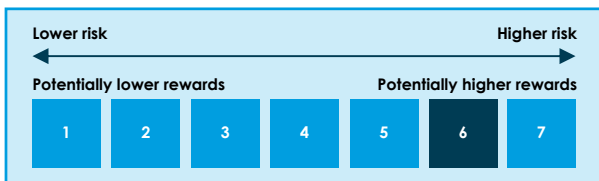
|                                     |              |          |
|-------------------------------------|--------------|----------|
| Period End Dates for Distributions: | 6 Apr, 6 Oct |          |
| Distribution Dates:                 | 6 Jun, 6 Dec |          |
| Ongoing Charges Figures:            | 6 Apr 14     | 6 Oct 13 |
| R-Class                             | 0.90%        | 0.92%    |
| I-Class                             | 0.31%        | 0.36%    |
| F-Class                             | 0.50%        | 0.52%    |
| C-Class*                            | 0.20%        | —        |

\* There is no prior year comparative for the C-Class which launched on 9 December 2013.

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                  |
| 6 Apr 14           |                          |                          |                          |
| R-Class            |                          |                          |                          |
| Distribution Units | £61,946,372              | 71.51p                   | 86,622,289               |
| Accumulation Units | £58,086,964              | 78.13p                   | 74,350,612               |
| I-Class            |                          |                          |                          |
| Distribution Units | £141,955,544             | 71.55p                   | 198,410,578              |
| Accumulation Units | £128,607,169             | 80.44p                   | 159,874,763              |
| F-Class*           |                          |                          |                          |
| Distribution Units | £140,525                 | 71.67p                   | 196,063                  |
| Accumulation Units | £1,235,871               | 78.67p                   | 1,570,983                |
| C-Class**          |                          |                          |                          |
| Distribution Units | £204,796                 | 71.51p                   | 286,372                  |
| Accumulation Units | £4,362,947               | 80.43p                   | 5,424,260                |

† 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.

\*\* C-Class units launched on 9 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.**

## **Distribution Information**

### **R-Class**

The distribution payable on 6 June 2014 is 0.3274p net per unit for distribution units and 0.3561p net per unit for accumulation units.

### **I-Class**

The distribution payable on 6 June 2014 is 0.5333p net per unit for distribution units and 0.5955p net per unit for accumulation units.

### **F-Class**

The distribution payable on 6 June 2014 is 0.4681p net per unit for distribution units and 0.5095p net per unit for accumulation units.

### **C-Class**

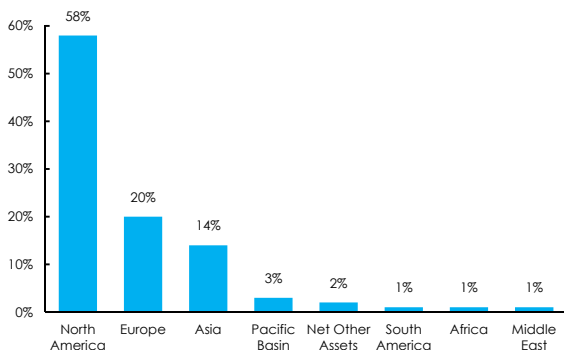
The distribution payable on 6 June 2014 is 0.5595p net per unit for distribution units and 0.6244p net per unit for accumulation units.

## Portfolio Information

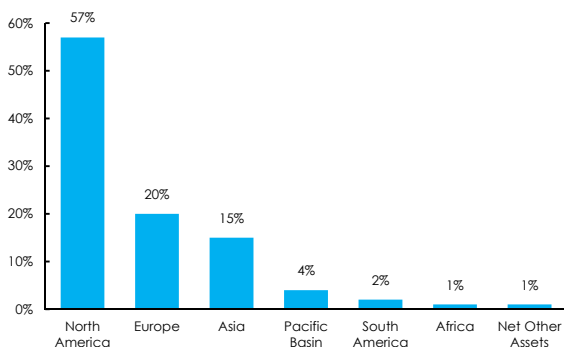
The top 10 holdings and their associated weighting for the current period and preceding year are:

| Top 10 Holdings at<br>6 April 2014 |                                  | Top 10 Holdings at<br>6 October 2013 |                                  |
|------------------------------------|----------------------------------|--------------------------------------|----------------------------------|
| Holding                            | Percentage of<br>Net Asset Value | Holding                              | Percentage of<br>Net Asset Value |
| Apple                              | 1.46%                            | Apple                                | 1.45%                            |
| Exxon Mobil                        | 1.29%                            | Exxon Mobil                          | 1.26%                            |
| Microsoft                          | 0.93%                            | Microsoft                            | 0.84%                            |
| Johnson & Johnson                  | 0.83%                            | General Electric                     | 0.82%                            |
| Wells Fargo & Company              | 0.80%                            | Johnson & Johnson                    | 0.80%                            |
| General Electric                   | 0.80%                            | Google 'A'                           | 0.79%                            |
| Nestle                             | 0.74%                            | Chevron                              | 0.76%                            |
| JP Morgan Chase & Co               | 0.70%                            | Nestle                               | 0.74%                            |
| Chevron                            | 0.69%                            | Wells Fargo & Company                | 0.72%                            |
| Procter & Gamble                   | 0.66%                            | Procter & Gamble                     | 0.70%                            |

## Trust Holdings as at 6 April 2014



## Trust Holdings as at 6 October 2013



## Unit Price Range and Net Revenue

### R-Class Units

| Year                      | Highest Offer | Lowest Bid | Net Revenue |
|---------------------------|---------------|------------|-------------|
| <b>Distribution Units</b> |               |            |             |
| 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                      | 71.71p        | 60.03p     | 0.9672p     |
| 2014 <sup>(1)</sup>       | 71.94p        | 67.50p     | 0.3274p     |
| <b>Accumulation Units</b> |               |            |             |
| 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                      | 77.58p        | 64.33p     | 1.0388p     |
| 2014 <sup>(1)</sup>       | 78.24p        | 73.41p     | 0.3561p     |

### I-Class Units

| Year                      | Highest Offer | Lowest Bid | Net Revenue |
|---------------------------|---------------|------------|-------------|
| <b>Distribution Units</b> |               |            |             |
| 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                      | 71.79p        | 60.12p     | 1.3380p     |
| 2014 <sup>(1)</sup>       | 72.18p        | 67.66p     | 0.5333p     |
| <b>Accumulation Units</b> |               |            |             |
| 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                      | 79.70p        | 65.76p     | 1.4677p     |
| 2014 <sup>(1)</sup>       | 80.55p        | 75.51p     | 0.5955p     |

<sup>(1)</sup> The above tables show the highest offer and lowest bid prices to 6 April 2014 and the net revenue per unit to 6 June 2014.

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**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                      | 71.90p        | 59.92p     | 1.1836p     |
| 2014 <sup>(3)</sup>       | 72.24p        | 67.74p     | 0.4681p     |
| <b>Accumulation Units</b> |               |            |             |
| 2012 <sup>(1)</sup>       | 63.73p        | 63.20p     | —           |
| 2013                      | 78.00p        | 64.47p     | 1.2736p     |
| 2014 <sup>(3)</sup>       | 78.78p        | 73.87p     | 0.5095p     |

### C-Class Units\*\*

| Year                      | Highest Offer | Lowest Bid | Net Revenue |
|---------------------------|---------------|------------|-------------|
| <b>Distribution Units</b> |               |            |             |
| 2013 <sup>(2)</sup>       | 70.48p        | 68.50p     | —           |
| 2014 <sup>(3)</sup>       | 72.17p        | 67.64p     | 0.5595p     |
| <b>Accumulation Units</b> |               |            |             |
| 2013 <sup>(2)</sup>       | 78.66p        | 76.45p     | —           |
| 2014 <sup>(3)</sup>       | 80.54p        | 75.49p     | 0.6244p     |

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

\*\* C-Class units launched on 9 December 2013.

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

<sup>(2)</sup> The above table shows the highest offer and lowest bid prices from 9 December 2013 to 31 December 2013.

<sup>(3)</sup> The above tables show the highest offer and lowest bid prices to 6 April 2014 and the net revenue per unit to 6 June 2014.

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## **Manager's Investment Report**

During the period under review, the bid price of the Trust's R-Class distribution units rose from 68.33p to 71.80p, an increase of 5.08%. 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. On this basis, over the period from the close of business on 4 October 2013 (last working day of the prior accounting period) to the close of business on 4 April 2014 (last working day of the period under review), the Trust rose by 4.43% on a capital only basis compared with the FTSE World (ex UK) Index increase of 4.19% (Source: Bloomberg), producing a tracking difference of +0.24%.

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## **Market/Economic Review**

The world economy showed signs of recovery over the review period. Across the advanced economies, progress has been made in reducing budget deficits and this should allow the degree of austerity to abate in the future. Emerging markets have disappointed in relation to expectations, as a number of headwinds reduced investors' risk appetite. The main culprits were the reduction of asset purchases by the Federal Reserve (Fed), concerns over a slowdown in China and various incidences of political unrest.

When the Fed initially discussed tapering asset purchases in the middle of 2013, it prompted a broad flight to safety. In early 2014, reducing the purchases from \$85 billion to \$55 billion per month, a similar move in markets was evident. However, after a shaky start, US equities rebounded with the benchmark S&P 500 Index ending the quarter near record highs, as the Fed downplayed fears that interest rates could rise earlier than expected.

For the majority of the review period there were concerns over a slowdown in China, as the authorities attempt to rebalance the economy away from investment and towards consumption. Towards the end of the review period the first onshore bond

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

market default in China exacerbated fears about the risk to non-performing loans within the banking sector. Ultimately, however, this is a reflection of the healthy progression towards more market orientated dynamics targeted by the current leadership. Nonetheless, emerging markets have underperformed developed stock markets over the review period.

European equities performed well, underpinned by broadly encouraging economic indicators. Aided by a turnaround in corporate profitability and a perceived reduction in political risk, the southern European markets outperformed the regional Index led by Greece, Italy and Spain, while Germany was the best performing major market.

Japan recorded its first quarterly decline in a year and a half in 2014, as international investors took money out of Japanese equities since the turn of the year, after net purchases of stocks had risen to a record in 2013.

The Trust's benchmark, the FTSE World (excluding UK) Index, finished the period up 4.19%. The best performing countries were Ireland (+27.3%), Greece (+27.1%) and Denmark (+22.3%), while the worst performing countries were Turkey (-12.4%), Hungary (-9.4%) and Brazil (-9.1%). The US was up 6.8% over the review period.

### **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 2013 resulted in three additions and five deletions. The largest addition was Iida Group Holdings (Japan) whilst Murphy USA was the largest deletion. There were also changes to the free share capital of 270 constituents, contributing to a two-way Index turnover of 0.6%.

At the March 2014 semi-annual Index review, there were 82 additions, of which the largest were Tesla Motors and Zoetis (both US). There were also 39 deletions. The largest of these were White Mountains Insurance and Abercrombie & Fitch (both US). In addition, 420 companies had changes to their free share capital, with the largest being an increase for Koninklijke Ahold (Netherlands) and a decrease for Exxon Mobil Corporation (US). Total two-way Index turnover was 2.5%.

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

The most significant event in the period under review was Vodafone (non-Index) completing the sale of its 45% stake in Verizon Wireless (US) for \$130bn in February 2014. This led to a large increase in Verizon Communications' weight in the Index.

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

Other significant activity outside the Index reviews were the deletions of Life Technologies (US), following its acquisition by existing constituent Thermo Fisher Scientific, and Dell (US), after a private consortium acquired the company.

At the end of the period under review, the Trust had holdings spread across 34 countries, with North America accounting for 57.8%, Europe (ex UK) 20.4%, Japan 8.3% and the other regions 13.5%. The five largest stocks in the Index were Apple (1.5%), Exxon Mobil Corporation (1.3%), Microsoft Corp (0.9%), Johnson & Johnson (0.8%) and Wells Fargo & Company (0.8%).

### **Outlook**

A steady improvement in global growth is expected throughout 2014. US growth should pick up, but this is likely to be offset by a slowdown in Japan, as the VAT increase undermines consumption, and some further cooling in China. Risks are broadly balanced, however, advanced economies remain vulnerable to negative shocks given the lack of fiscal and monetary policy space. But in their absence, for the first time since the financial crisis, there is a realistic prospect of a synchronised global expansion. This could put upward pressure on resource utilisation and raise questions about how long central banks can maintain these exceptional levels of monetary accommodation.

After a profitable 2013, we expect another positive year for global equities. With the vivid memory of more than a decade of seemingly range-bound equity markets it may feel counterintuitive to forecast new all-time highs, but in terms of valuations, equities are no longer cheap, but also not yet broadly in expensive territory. As a result, we expect 2014 to see the market shift from multiple expansion to a more mature market driven by earnings and for global equities to deliver a modest positive total return for the year. The Trust remains well positioned to capture the market performance.

Legal & General Investment Management Limited  
(Investment Adviser)  
25 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.

## **Information on Tracking Error**

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

Using monthly returns, over the review period, the annualised Tracking Error of the Fund is 0.02%, whilst over the last three years to the end of March 2014, the annualised Tracking Error is 0.07%. These Tracking Errors are within the anticipated Tracking Error levels set out in the Fund's Prospectus of +/-0.75% per annum.

## **Significant Changes**

### **New Unit Class: C-Class**

With effect from 9 December 2013, the Fund launched a new C-Class, with distribution and accumulation units available.

Class C units are only available to distributors who actively market and distribute such units (or who the Manager believes intend to do so) and who have entered into a written agreement with the Manager relating to the conditions for investment in such units.

## **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         |
| C-Class | £100,000,000 |

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 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**

Legal & General  
(Unit Trust Managers) Limited  
Registered in England and Wales No. 01009418  
Registered office:  
One Coleman Street,  
London EC2R 5AA  
[www.legalandgeneral.com](http://www.legalandgeneral.com)  
HIT0614

