Distribution Number 96

Legal & General
Managed Monthly Income Trust

# Interim Manager's Short Report for the period ended 22 August 2013

## 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 Aug 13 | 22 Feb 13 |
| R-Class | 1.18% | 1.18% |
| I-Class | 0.44% | 0.44% |
| F-Class | 0.68% | 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 11 | | | |
| R-Class | | | |
| Distribution Units | £48,938,781 | 53.11p | 92,153,883 |
| Accumulation Units | £6,384,818 | 78.37p | 8,146,598 |
| I-Class | | | |
| Distribution Units | £3,007,547 | 53.10p | 5,663,742 |
| Accumulation Units | £661 | 80.41p | 822 |
| 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 Aug 13 | | | |
| R-Class | | | |
| Distribution Units | £285,457,883 | 57.35p | 497,785,862 |
| Accumulation Units | £91,144,784 | 92.24p | 98,810,336 |
| I-Class | | | |
| Distribution Units | £3,021,486 | 57.37p | 5,266,256 |
| Accumulation Units | £2,171,627 | 95.93p | 2,263,664 |
| F-Class* | | | |
| Distribution Units | £66,225 | 57.96p | 114,254 |
| Accumulation Units | £38,371 | 93.67p | 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 20 September 2013 is 0.1455p net per unit for distribution units and 0.2334p net per unit for accumulation units.

### I-Class

The distribution payable on 20 September 2013 is 0.1747p net per unit for distribution units and 0.2911p net per unit for accumulation units.

### F-Class

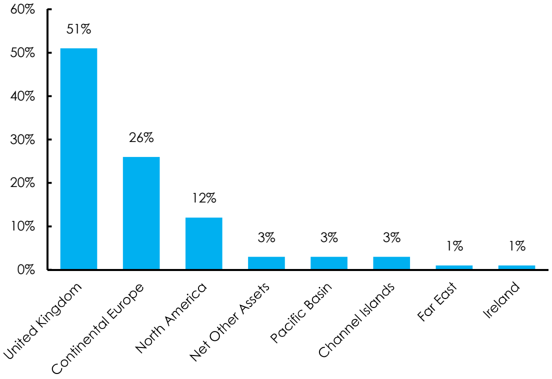
The distribution payable on 20 September 2013 is 0.1670p net per unit for distribution units and 0.2690p net per unit for accumulation units.

## Portfolio Information

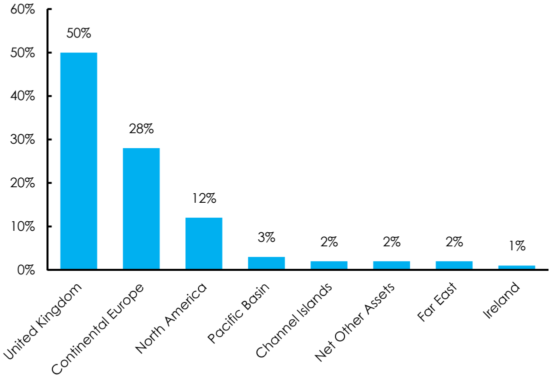
The top 10 holdings and their associated weighting for the current period and preceding year are:

| Top 10 Holdings at 22 August 2013 | | Top 10 Holdings at 22 February 2013 | |
|---|---|---|---|
| **Holding** | **Percentage of Net Asset Value** | **Holding** | **Percentage of Net Asset Value** |
| Legal & General High Income Trust | 6.43% | Legal & General High Income Trust | 6.37% |
| Barclays Bank 10% 21/05/2021 | 1.75% | Barclays Bank 10% 21/05/2021 | 1.76% |
| Prudential Floating Rate 29/05/2039 | 1.72% | Prudential Floating Rate 29/05/2039 | 1.72% |
| Southern Water Services Finance 6.64% 31/03/2026 | 1.55% | Southern Water Services Finance 6.64% 31/03/2026 | 1.52% |
| Standard Chartered Bank 5.375% Open Maturity | 1.53% | Standard Chartered Bank 5.375% Open Maturity | 1.48% |
| HSBC Holdings 6.5% 20/05/2024 | 1.37% | BAT International Finance 9.5% 15/11/2018 | 1.39% |
| Coventry Building Society 6% 16/10/2019 | 1.30% | HSBC Holdings 6.5% 20/05/2024 | 1.38% |
| Electricite de France 6.125% 02/06/2034 | 1.24% | Coventry Building Society 6% 16/10/2019 | 1.30% |
| E.ON International Finance 6% 30/10/2019 | 1.23% | Electricite de France 6.125% 02/06/2034 | 1.21% |
| Nationwide Building Society 5.625% 09/09/2019 | 1.17% | E.ON International Finance 6% 30/10/2019 | 1.21% |

## Trust Holdings as at 22 August 2013




## 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** | | | |
| 2008 | 55.20p | 41.96p | 2.2405p |
| 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[1] | 61.99p | 57.10p | 1.3789p |
| **Accumulation Units** | | | |
| 2008 | 70.92p | 55.97p | 2.9249p |
| 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[1] | 98.72p | 91.38p | 2.1894p |

### I-Class Units

| Year | Highest Offer | Lowest Bid | Net Revenue |
|---|---|---|---|
| **Distribution Units** | | | |
| 2008 | 53.70p | 43.91p | 2.5790p |
| 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[1] | 62.03p | 57.13p | 1.6405p |
| **Accumulation Units** | | | |
| 2008 | 69.66p | 59.39p | 3.2125p |
| 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[1] | 102.40p | 94.95p | 2.7018p |

[1] The above tables show the highest offer and lowest bid prices to 22 August 2013 and the net revenue per unit to 21 September 2013.

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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

### F-Class Units*

| Year | Highest Offer | Lowest Bid | Net Revenue |
|---|---|---|---|
| **Distribution Units** | | | |
| 2012[(1)] | 60.70p | 57.19p | 0.6895p |
| 2013[(2)] | 62.66p | 57.72p | 1.5946p |
| **Accumulation Units** | | | |
| 2012[(1)] | 95.72p | 88.95p | 1.0942p |
| 2013[(2)] | 100.10p | 92.74p | 2.5329p |

* F-Class units launched on 17 August 2012.

[(1)] The above table shows the highest offer and lowest bid prices from 17 August 2012 to 31 December 2012.

[(2)] The above table shows the highest offer and lowest bid prices to 22 August 2013 and the net revenue per unit to 21 September 2013.

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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 by 0.87%. Over the same period, the iBoxx Sterling Collateralized and Corporates Total Return Index fell by 0.47% (Source: Bloomberg).

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## Market/Economic Review

Following a strong start to the review period, sterling corporate bond markets fell from their May 2013 highs, to end the review period broadly unchanged.

Sentiment towards risk-based assets, such as corporate bonds and equities, improved during the early months of the review period amid optimism that the outlook for global corporate earnings was improving, while global inflationary pressures remained generally subdued. Despite concerns over the ongoing eurozone recession and disappointment over the outlook for Chinese economic growth, the relatively strong performance of the US economy and ongoing demand for yield underpinned the performance of high yield credit markets.

Although the eurozone economic outlook remained subdued, the UK economy showed more encouraging signs during the second quarter of 2013, with the services, manufacturing and construction sectors showing growth. Nevertheless, with the US economy continuing to perform well, concerns that the US Federal Reserve (FED) could scale back quantitative easing (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 slowed during the second half of the year, with the bond-buying programme on course to end by mid-2014. This sparked a slide in corporate bond and global stock markets that lasted into late June 2013. Reassurance that US interest rate rises were not on the immediate horizon, coupled with some softer US economic data, helped credit markets to recover in July. However, bond markets lost ground in early August on fresh signs that the US employment market was strengthening, potentially paving the way for QE to be wound down. Meanwhile, some optimism rose that the eurozone economic backdrop was improving as the single currency bloc emerged from recession.

## Trust Review

We retained the portfolio's resilient positioning during the review period, reflecting a cautiously optimistic view of global growth. We remained wary of the potential for further political risks, diversifying the portfolio out of Europe, especially peripheral Europe. With investment grade bonds in core markets looking relatively expensive, we retained an allocation to high yield, favouring higher rated BB and

B names in areas of the market supported by our macro-economic outlook: emerging markets at the start of the period under review and developed markets more recently.

Having locked in some profits in Abu Dhabi National Energy (TAQA), we subsequently selectively raised our high yield exposure, adding US telecommunications company MetroPCS, while also buying into issues which were set to benefit from the recovery in the US car market, such as components suppliers Lear and Continental Rubber of America. We made use of index-based derivatives to protect our high yield exposure from market volatility, reflecting our view that attractive stock-specific opportunities among high yield issues would enable us to add value.

We also added to high yield bonds from several French issuers, including private hospitals group Médi-Partenaires. Although we do not expect strong growth in France this year, the bonds are attractively valued and the company is well managed, and should be relatively insulated from any sovereign (government) risk.

In June 2013 we took profits on several names that had been beneficiaries of improving US growth. We invested the proceeds in issues elsewhere that, having fallen in price as volatility picked up, offered attractive valuations. For example, during the final weeks of the review period we continued to buy bonds from issuers with strong credit profiles in defensive sectors, adding exposure to utility RWE. Against the backdrop of the rising prospect that the US QE programme would be wound down, we lowered exposure to financials and reduced exposure to Italy, lowering our holding in insurer Assicurazioni Generali and paring back our investment in Italian government bonds. We added US exposure, including to media group Time Warner Cable at advantageous levels following reports of potential merger and acquisition activity that could impact on its credit rating.

## Outlook

Having lost ground in May 2013 on signs that the Fed was moving towards the scaling down of its QE programme, corporate bond markets have since staged a partial recovery. This has reflected relief that the Fed is prepared to delay the 'tapering' until the recovery gains momentum. Significantly, Fed officials have reassured markets that the QE tapering does not pave the way to a near-term ending of the central bank's near-zero interest rate policy. Although government bond yields have risen, we do not believe that central bankers will allow them to rise to such a level that the economic recovery is threatened.

While we maintain our positive outlook for the US economy and are encouraged by recent signs that the UK economic recovery is broadening, we retain a more cautious overall stance towards the eurozone. Despite some recent evidence that rising export demand and improving domestic consumption are helping to drive Germany's economic outlook, we believe that the outlook is more subdued elsewhere in the eurozone and that the underlying causes of the debt crisis have yet to be addressed.

Although we believe that drivers of global growth have shifted, we maintain our outlook of slow but steady growth for the world economy. The Trust remains well-diversified geographically, with significant levels of diversification beyond the eurozone.

Legal & General Investment Management Limited
(Investment Adviser)
29 August 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.

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.

## 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.

**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**

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Trustee and Depositary Services
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Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority

**Independent Auditors**

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

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