

L&G (N) Tracker Trust

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

**EVERY  
DAY  
MATTERS.®**





## Investment Objective and Policy

L&G (N) Tracker Trust aims to track the capital performance of the UK equity market, as represented by the FTSE All-Share Index, by investment in a representative sample of stocks selected from all economic sectors.

Securities in the FTSE All-Share Index will be held with weightings generally proportionate to their company's market capitalisation. 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.

## 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 holds investments 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.

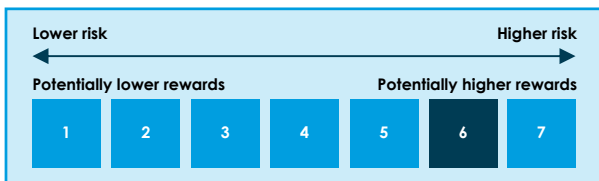
## Trust Facts

Period End Dates for Distributions:		31 Mar, 30 Sep
Distribution Dates:		31 May, 30 Nov
Ongoing Charges Figures	31 Mar 14	30 Sep 13
A-Class Units	1.15%	1.15%
CTF-Class Units	1.50%	1.50%
I-Class Units	0.16%	0.20%
F-Class Units	0.35%	0.35%

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
30 Sep 11			
A-Class			
Accumulation Units	£733,653,096	118.92p	616,945,777
CTF-Class			
Accumulation Units	£184,872,308	115.50p	160,056,907
30 Sep 12			
A-Class			
Accumulation Units	£833,547,328	138.82p	600,439,096
CTF-Class			
Accumulation Units	£240,517,870	134.38p	178,985,830
30 Sep 13			
A-Class			
Accumulation Units	£933,412,421	162.15p	575,645,798
CTF-Class			
Accumulation Units	£305,499,252	156.41p	195,313,950
I-Class*			
Distribution Units	£1,122	158.25p	709
Accumulation Units	£15,777,020	163.95p	9,622,835
F-Class**			
Accumulation Units	£1,130	163.29p	692
31 Mar 14			
A-Class			
Accumulation Units	£958,082,733	169.52p	565,159,805
CTF-Class			
Accumulation Units	£331,540,544	163.25p	203,092,734
I-Class*			
Distribution Units	£827,065	164.17p	503,781
Accumulation Units	£31,156,041	172.29p	18,083,373
F-Class**			
Accumulation Units	£1,186	171.39p	692

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

\*\* F-Class units were 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 Units**

The distribution payable on 31 May 2014 is 1.6251p net per unit for accumulation units.

### **CTF-Class Units**

The distribution payable on 31 May 2014 is 1.2834p net per unit for accumulation units.

### **I-Class Units**

The distribution payable on 31 May 2014 is 2.3662p net per unit for distribution units and 2.4396p net per unit for accumulation units.

### **F-Class Units**

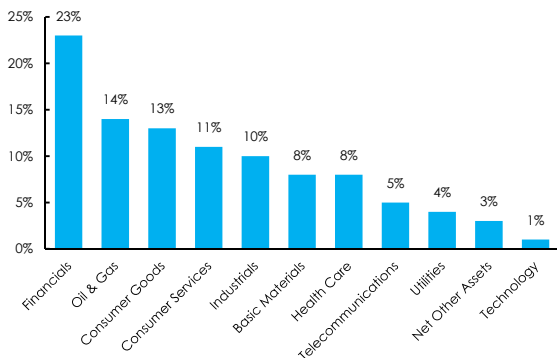
The distribution payable on 31 May 2014 is 2.3078p net per unit for accumulation units.

## Portfolio Information

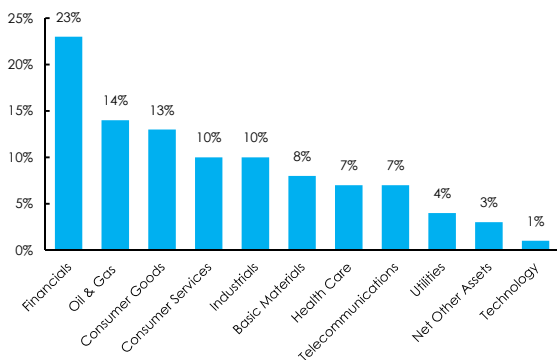
The top 10 holdings and their associated weighting for the current period and preceding year are:

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
HSBC Holdings	5.37%	HSBC Holdings	6.01%
BP	4.24%	Vodafone Group	5.12%
Royal Dutch Shell 'A'	3.99%	BP	3.99%
GlaxoSmithKline	3.66%	Royal Dutch Shell 'A'	3.77%
British American Tobacco	2.97%	GlaxoSmithKline	3.74%
		British American Tobacco	3.04%
Vodafone Group	2.76%	Royal Dutch Shell 'B'	2.59%
Royal Dutch Shell 'B'	2.75%	Diageo	2.40%
AstraZeneca	2.28%	AstraZeneca	1.95%
Diageo	2.22%	BG Group	1.95%
Rio Tinto	1.95%		

## Trust Holdings as at 31 March 2014



## Trust Holdings as at 30 September 2013



## Unit Price Range and Net Revenue

### A-Class

Year	Highest Price	Lowest Price	Net Revenue
<b>Accumulation Units</b>			
2009	119.80p	74.46p	3.0132p
2010	136.70p	109.60p	2.4828p
2011	140.80p	114.90p	2.8376p
2012	144.80p	125.50p	3.4969p
2013	170.90p	146.10p	3.8721p
2014 <sup>(1)</sup>	173.70p	163.50p	1.6251p

### CTF-Class

Year	Highest Price	Lowest Price	Net Revenue
<b>Accumulation Units</b>			
2009	117.10p	73.04p	2.5019p
2010	133.10p	106.90p	2.0045p
2011	136.90p	111.60p	2.3091p
2012	140.00p	121.60p	2.9415p
2013	164.80p	141.30p	3.2225p
2014 <sup>(1)</sup>	167.40p	157.50p	1.2834p

<sup>(1)</sup> The above tables show the highest and lowest prices to 31 March 2014 and the net revenue per unit to 31 May 2014.

**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

### I-Class\*

Year	Highest Price	Lowest Price	Net Revenue
<b>Distribution Units</b>			
2012 <sup>(1)</sup>	145.00p	136.90p	—
2013	167.30p	146.40p	5.1522p
2014 <sup>(3)</sup>	170.50p	160.30p	2.3662p
<b>Accumulation Units</b>			
2012 <sup>(1)</sup>	145.10p	136.90p	—
2013	173.20p	146.40p	5.2880p
2014 <sup>(3)</sup>	176.40p	165.90p	2.4396p

### F-Class\*\*

Year	Highest Price	Lowest Price	Net Revenue
<b>Accumulation Units</b>			
2012 <sup>(2)</sup>	144.90p	143.50p	—
2013	172.40p	146.30p	4.9465p
2014 <sup>(3)</sup>	175.50p	165.10p	2.3078p

\* 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.

**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.**

## **Manager's Investment Report**

During the period under review, the bid price of the Trust's A-Class accumulation units rose by 4.56%. FTSE, the Index compiler, calculates the benchmark Index at the end of the business day using closing prices, whereas the Trust is valued using prevailing prices at 12 noon. Therefore, for tracking purposes the Trust has been revalued using closing prices. On this basis, over the review period from the close of business on 30 September 2013 to the close of business on 31 March 2014, the Trust rose by 3.29% on a capital only basis compared with the FTSE All-Share Index rise of 3.24% on a capital only basis, producing a tracking difference of +0.05% (Source: Bloomberg).

**Past performance is not a guide to future performance.**

**The value of investments 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.**

The FTSE All-Share Index is calculated by FTSE International Limited ("FTSE"). FTSE does not sponsor, endorse or promote this product.

All copyright in the Index values and constituent list belongs to FTSE. Legal & General has obtained full license from FTSE to use such copyright in the creation of this product.

"FTSE™", "FT-SE®" and "Footsie®" are trade marks of the London Stock Exchange Plc and The Financial Times Limited and are used by FTSE International Limited ("FTSE") under licence. "All-Share®" is a trade mark of FTSE.

## **Market/Economic Review**

The FTSE All-Share Index comprises the FTSE 250 Index (+9.2%), which was the best performing element of the FTSE All-Share Index over the review period, the FTSE SmallCap Index (+6.4%) and the FTSE 100 Index (+2.1%) (Source: Bloomberg).

Over the period under review, major sectors such as Alternative Energy (+38.5%), Health Care Equipment & Services (+19.5%) and Real Estate Investment & Services (+15.1%) showed the largest positive returns; the most underperforming sectors were Industrial Metals & Mining (-30.9%), Food & Drug Retailers (-14.9%) and Personal Goods (-10.8%).

The world economy finally showed some signs of embarking on a recovery in 2013, with global growth picking up to around trend by the middle of 2013 and continuing during the review period. Monetary policy has been a major support, with central banks committed to maintaining exceptionally low interest rates for a considerable period and, in the case of Japan and the US, making further asset purchases (quantitative easing). There have also been a number of headwinds preventing a stronger rebound. The most notable example was the lingering effects of the European sovereign debt crisis, although the euro area returned to growth in the later part of the review period. The UK has seen a marked turnaround, led by a revival in the housing market. In the UK stock market, the more domestically focused mid-cap stocks and smaller companies outperformed the blue chip FTSE 100 Index, which is heavily weighted towards mining stocks that have struggled on weaker commodity prices.

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

### **Trust Review**

Companies held within the Trust are held with weightings generally proportionate to those of the Index. Hence investment activity, other than to raise or invest cash, is only necessary when there are changes in the issued share capital or free float of the constituent companies, or to the constituents of the Index.

At the quarterly Index review in December 2013, 10 companies were added, including Royal Mail, Grafton Group, Merlin Entertainments, Carphone Warehouse Group and Foxtons Group. No companies were deleted from the Index. HellermannTyton Group, St. James's Place, F&C Asset Management and Phoenix Group had their free float increased.

At the quarterly Index review in March 2014, six companies were added: Infinis Energy, Servelec Group, Just Retirement Group, New City High Yield Fund, Mecom and Flybe Group. Alternative Investment Strategies was deleted, whilst Playtech, Jupiter Fund Management and Cineworld were among the six companies to have their free float adjusted.

Deletions outside the reviews included Invensys, acquired by Schneider Electric (France) for cash and stock; Emblaze, following its continued suspension of listing; Fiberweb, after it was acquired by PGI Acquisition Limited via a scheme of arrangement and Eurasian Natural Resources Corporation, after becoming a private entity, which also resulted in an increase weight in Kazakhmys who previously held a stake.

Vodafone's sale of its 45% stake in Verizon Wireless (USA) for \$130bn, and the subsequent return of Verizon Communications (USA) shares and cash to shareholders, led to a significant reduction in Vodafone's market capitalisation.

Countrywide increased its free float to 70% subsequent to a secondary share placing. Capital repayments were made by Wolseley, Lancashire, Direct Line, McBride and Rolls-Royce Holdings. BUMI changed its name to Asia Resource Minerals. Caracal Energy raised cash for an exploration programme, while Telecom Plus raised cash to part pay for two energy companies.

The first quarter of 2014 saw some capital raising activity for acquisitions, including Cineworld, IP Group, Intu Properties and Babcock International, whilst Premier Foods and RSA Insurance raised cash to improve their balance sheets. Secondary placings resulted in increased free floats for Bank of Georgia, Moneysupermarket.com, African Barrick Gold and Crest Nicholson. There were numerous capital repayments, which included Next, IMI, Melrose Industries, easyJet, Playtech and Direct Line.

At the end of the period the Trust had holdings in all of the 622 companies in the Index. The three largest stocks in the Trust at the end of the period were Royal Dutch Shell (6.7%), HSBC (5.4%) and BP (4.2%).

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

### **Outlook**

A steady improvement in global growth is expected throughout 2014. In the UK, stronger growth is feeding back into an improvement in public finances, but this needs to develop into a multi-year expansion to reduce the deficit to sustainable levels. Bank of England Governor Mark Carney brushed aside the drop in unemployment numbers to under 7%, the threshold previously mentioned as the potential trigger for an interest rate hike. Instead, rate increases will now be contingent on a more enigmatic combination of sustained growth in jobs, incomes and spending – hinting that easing monetary conditions are set to continue for the foreseeable future. For now there is sufficient slack to allow the Bank of England to keep rates on hold through next year, but if productivity stagnates and unemployment falls more rapidly, pressure to begin normalising interest rates will eventually increase.

We expect another positive year for UK 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 a shift from multiple expansion to a more mature market driven by earnings. The Trust is well positioned to capture the UK market performance.

Legal & General Investment Management Limited

(Investment Adviser)

22 Apr 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 the annual subscription amount for the CTF-Class units**

The government has recently announced that from 1 July 2014 the annual amount you can save will be increased to £4,000 for the 2014-15 tax year.

Yourself, or others, can make additional payments into your child's account by setting up a regular payment or by sending payments as and when you can. If you wish to make an additional payment you can access further details at [www.nationwide.co.uk/investments/child-trust-fund](http://www.nationwide.co.uk/investments/child-trust-fund), go to your local branch, or contact us directly.

### **Minimum Investment Amounts**

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

A-Class	£20
CTF-Class	£1
I-Class	£1,000,000
F-Class	£20

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**

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)  
N°T0514

