

Legal & General Sterling Income Fund



Unit Trust (UCITS compliant) R-Class GBP

FUND AIM

The objective of this fund is to provide a high income, whilst aiming to preserve capital over the long term. The fund will invest in bonds. These bonds will have a pre-set rate of income (either set at a fixed level or varying in a pre-determined way). The bonds that the fund invests in will be at least 80% investment grade (rated as lower risk). The fund may also invest up to 20% in sub-investment grade bonds (rated as higher risk).

RISK AND REWARD PROFILE



The synthetic risk and reward indicator (SRRI) is based on the historic volatility of the fund's value and it may change in the future.

The fund is in category 3 because it invests in company or government bonds which are sensitive to changes in interest rates, inflation and credit. This can be driven by political and economic changes and other significant events and may cause the value to fluctuate.

For more information, please refer to the Key Risks section on page 3.

WHO IS THIS FUND FOR?

- This fund is designed for investors looking for income or growth from an investment in bonds (a type of loan which pays interest).
- Although investors can take their money out at any time, this fund may not be appropriate for those who plan to withdraw their money within five years.
- This fund is not designed for investors who cannot afford more than a minimal loss of their investment.
- If you do not understand this document we recommend you seek additional information to help you decide if this fund is right for you.

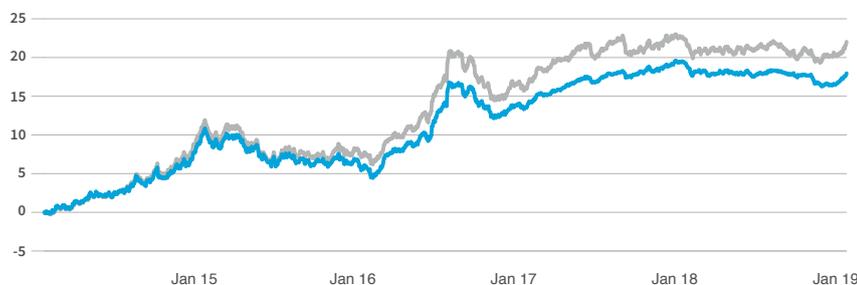
FUND FACTS

Fund size £476.4m	Base currency GBP	IA Sector IA £ Corporate Bond
Launch date 15 Oct 2001	Domicile UK	Annualised yield 2.7%
		Modified duration 3.53 years

COSTS

Initial charge 0.00%	Ongoing charge 1.16%
Price basis Single - dilution levy	Dilution levy 0.66% - round trip

PERFORMANCE (%)



	1 month	3 months	1 year	3 years	5 years
■ Fund	1.34	0.25	-1.22	11.03	17.76
■ IA Sector	1.58	0.79	-0.19	13.27	22.02
Quartile ranking	3	4	4	3	4

12 MONTH PERFORMANCE TO MOST RECENT QUARTER (%)

12 months to 31 December	2018	2017	2016	2015	2014
Fund	-2.51	4.70	7.15	-0.61	8.71
IA Sector	-2.18	5.01	8.94	-0.38	9.70
Quartile ranking	3	3	4	3	4

Performance for the R Inc unit class in GBP, launched on 02 March 2009. Source: Lipper. Performance assumes all fund charges have been taken and that all income generated by the investments, after deduction of tax, remains in the fund.

Past performance is not a guide to future returns. The value of your investment and any income taken from it is not guaranteed and may go up and down.

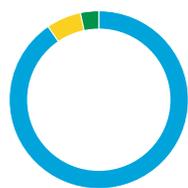
FUND SNAPSHOT

- Aims to provide an attractive monthly income and preserve capital over the long term
- Invests in high-quality corporate bonds, with flexibility to supplement core holdings with some high yield bonds
- Actively managed, leveraging the resources of LGIM's Global Fixed Income team



PORTFOLIO BREAKDOWN

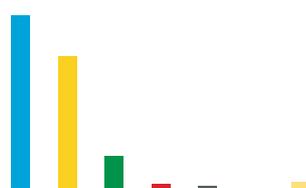
All data source LGIM unless otherwise stated. Totals may not sum due to rounding.



CURRENCY (%)

■ GBP	90.4
■ USD	6.3
■ EUR	3.3

This is the currency breakdown before allowing for any hedging the fund may use. We aim to hedge the portfolio 100% back to the base currency.



YEARS TO MATURITY (%)

■ 0 to 5	48.7
■ 5 to 10	37.2
■ 10 to 15	9.3
■ 15 to 20	1.5
■ 20 to 25	1.1
■ 25 to 30	0.1
■ 30 +	2.2



■ Top 10 issuers 30.5%
 ■ Rest of portfolio 69.6%
 No. of issuers 403

TOP 10 ISSUERS (%)

Lloyds Banking Group plc	5.3
Aviva plc	4.6
HSBC Holdings plc	3.4
Barclays Bank plc	3.1
EDF SA	3.1
Thames Water Ltd	2.8
Caisse Nationale De Credit Agricole	2.5
Bank of America Corporation	2.0
Wells Fargo & Company	1.9
Nationwide Building Society	1.9

CREDIT RATING (%)

AAA	4.3	■
AA	6.6	■
A	18.7	■
BBB	46.0	■
BB	15.9	■
B	4.2	■
CCC	0.5	
D	0.2	
NR	1.1	
Cash	2.8	■
Other	0.0	

COUNTRY (%)

🇬🇧 United Kingdom	53.9
🇺🇸 United States	16.8
🇫🇷 France	11.5
🇨🇭 Switzerland	3.7
🇳🇱 Netherlands	2.5
🇩🇪 Germany	1.8
🇪🇸 Spain	1.4
🇸🇪 Sweden	1.1
🇲🇽 Mexico	0.9
🌐 Other	6.6

SECTOR (%)

Banks	25.4
Utilities	16.1
Insurance	12.9
ABS	9.4
Telecommunications	5.7
Covered	3.8
Consumer Goods	3.5
Consumer Services	3.4
Real Estate	3.3
Other	16.6

FUND MANAGER COMMENTARY

Sterling credit enjoyed a firm start to 2019, with hopes that US-China talks could ease trade tensions and optimism that US interest rates may have peaked supporting riskier assets. Even ongoing Brexit uncertainties, the partial shutdown of the US government and disappointing economic data from the Eurozone and China failed to dampen investors' optimism. Improved risk appetite and a rebound in oil prices boosted sub-investment grade bonds, with US high yield bonds performing strongly, helped by the heavy representation of the energy sector. While underlying gilt yields fell slightly, narrowing credit spreads drove sterling corporate bonds' strong monthly performance, with the insurance, capital goods and utilities sectors producing robust gains.

We added risk to the portfolio in January, taking advantage of buoyant activity in the primary and secondary markets to increase our credit exposure. In the new issues market, we participated in deals from Orange, Banque Fédérative du Crédit Mutuel, BNP and Citigroup. Meanwhile, in the secondary market we continued to add exposure to shorter-dated financials on the basis of their attractive yields. However, we continued to reduce our weightings among automotive borrowers on valuation grounds. Over the month we marginally reduced the portfolio's high yield exposure.



MARK BENSTEAD

Mark is a senior UK investment grade portfolio manager with responsibility for LGIM's retail funds. Mark joined LGIM in 2014 from AXA Investment Managers where he was Head of Credit, UK, and was closely involved with AXA's successful entry into buy and maintain credit. Prior to that, he was at the Royal Bank of Canada in a variety of senior capital market roles. Mark graduated from the University College of North Wales with a BA (hons) in economics in 1984 and from the University of Bradford Management Centre with an MBA in 1985. He also holds the Investment Management Certificate.

KEY RISKS

- This fund holds bonds that, rather than being traded on an exchange, are traded through agents, brokers or investment banks matching buyers and sellers. This makes the bonds less easy to buy and sell than investments that are traded on an exchange and on any particular day there may not be a buyer or a seller for the bonds. In times of market uncertainty or if an exceptional amount of withdrawals are requested it may become less easy for your fund to sell investments and the Manager may defer withdrawals, or suspend dealing. The Manager can only delay paying out if it is in the interests of all investors and with the permission of the fund trustee or depository.
- The fund invests directly or indirectly in bonds which are issued by companies or governments. If these companies or governments experience financial difficulty, they may be unable to pay back some or all of the interest, original investment or other payments that they owe. If this happens, the value of your fund may fall.
- The fund could lose money if any institution providing services such as acting as counterparty to derivatives or other instruments, becomes unwilling or unable to meet its obligations to the fund.
- Derivatives are highly sensitive to changes in the value of the asset on which they are based and can increase the size of losses and gains.
- The fund may have underlying investments that are valued in currencies that are different from sterling (British pounds). Any such investments will be impacted by exchange rate fluctuations and this may affect the value of your investment and any income from it. Currency hedging techniques may be applied to reduce the impact of exchange rate fluctuations but may not entirely eliminate it.
- We may take some or all of the ongoing charges from the fund's capital rather than the fund's income. This increases the amount of income, but it reduces the growth potential and may lead to a fall in the value of the fund.
- Investment returns on bonds are sensitive to trends in interest rate movements. Their values are likely to fall when interest rates rise. Such falls may be more pronounced in a low interest rate environment. Bonds with a short time to go before their maturity date will fall by less than bonds with a longer time to their maturity date.

For more information, please refer to the key investor information document on our website [↗](#)

LATEST DISTRIBUTION INFORMATION

For distributing unit classes, the latest payments are shown below. Please note that these payments are not guaranteed, are at the discretion of the manager and may be paid out of capital.

Type	Ex-div date	Pay date	Pence per unit
Interim	17 Dec 18	11 Jan 19	0.28p
Interim	16 Nov 18	13 Dec 18	0.26p
Final	12 Oct 18	13 Nov 18	0.18p
Interim	17 Sep 18	11 Oct 18	0.28p



SPOTLIGHT ON LEGAL & GENERAL INVESTMENT MANAGEMENT

We are one of Europe's largest asset managers and a major global investor, with assets under management of £984.8 billion (as at 30 June 2018). We work with a wide range of global clients, including pension schemes, sovereign wealth funds, fund distributors and retail investors.

Assets under management include derivative positions and assets managed by LGIMA, an SEC Registered Investment Advisor.

DEALING INFORMATION

Valuation frequency	Daily, 12pm (UK time)
Dealing frequency	Daily
Settlement period	T+4

CODES

ISIN	R Acc	GB00B3KTR067
	R Inc	GB00B3KTQZ41
SEDOL	R Acc	B3KTR06
	R Inc	B3KTQZ4
Bloomberg	R Acc	LGHGIRA
	R Inc	LGHGIRI

TO FIND OUT MORE

 Visit www.legalandgeneral.com

 Call **0370 050 0955**

 Email investments@landg.com

Lines are open Monday to Friday 8.30am to 6.00pm. We may record and monitor calls. Call charges will vary.

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