

L&G Multi-Index 4 | Acc

January 2019

Outcome

The fund aims to provide capital accumulation from a combination of income and growth over the longer term whilst seeking to maintain a level of risk consistent with DT risk profile 4. This equates to a risk level which is broadly around 50% to 70% of equities.

Capital Accumulation	Capital Preservation	Income	Inflation Protection
●			

Performance Objective

To provide a total return, from a combination of income and capital appreciation, over the longer term, whilst staying within its forecasted annualised volatility range of 6.3% to 8.4%.

Launch Date: 21/08/2013	Distribution Pay Date: Feb 16 (Final), Aug 16
Yield (as at 11 Jan 2019): 2.0%	Ongoing Charge Figure: 0.31%
Fund Manager: Andrzej Pioch, Francis Chua, Justin Onuekwusi	Transaction Cost ex Ante: -0.15%
Investment Style: Tactical - Passive	Domicile: United Kingdom
Risk Targeted Multi Asset Solutions Sector: UK RTMA Risk 2 - Cautious	Fund Size (as at 30 Nov 2018): £851.5m
Risk Based Approach: Risk Targeted/Risk Profiled	



Fund Opinion

L&G has created a range of low-cost risk-targeted funds that we think plays to a number of the businesses key strengths. The group has a proven track record in building and managing risk aware multi-asset strategies, as can be illustrated by the success of its long-running with-profits fund. Additionally, L&G is a market leader within index funds and one of the largest providers in the UK. Their range of index funds is broad and this permits the managers to build portfolios that are well-diversified across asset class and via regions.

The resources at L&G are deep and strong across asset allocation, fund management and risk management. We think this gives them a good platform from which to build multi-asset solutions. The lead manager of the funds is Justin Onuekwusi and he is experienced in managing risk-targeted and other multi-asset products. He is well-supported by the asset allocation team which has grown over recent years to meet the growth in assets they are responsible for as well as the wide opportunity set now available to multi-asset investors.

We believe L&G has the capability within the business to provide high-quality risk-targeted investment solution. The Multi Index funds offer investors access to five portfolios that are low cost and actively managed and which are well-diversified by asset class. The overall cost of the funds makes them a particularly compelling proposition for investors that wish to have a greater control over the level of risk they are prepared accept to meet their financial goals. Investors should remember that as the funds predominantly use passive strategies as building blocks, the returns of these strategies will be limited to the returns of the index they are tracking.

Fund Description

The lead manager for the fund is Justin Onuekwusi. He is a member of LGIM Asset Allocation team and is focused on the management of the team's retail and risk-profiled multi-asset funds. Prior to joining LGIM, he was a fund manager with Aviva Investors where he also managed a range of risk-targeted multi-asset funds. He has also worked as a fund analyst at Merrill Lynch and an investment consultant for Aon Consulting. He is supported directly by Bruce White, Andrzej Pioch and Francis Chua, in addition to the well-resourced Asset Allocation team.

The L&G Multi Index fund range has been specifically created to meet the needs of clients wanting more control over the risk profile of their investments. The philosophy which underlies the range, is that consistency of performance can be achieved through an approach which blends team based decision making, cross discipline expertise and research based evidence. The team also believe that in order to maximise risk adjusted returns it is important to have a long term time horizon.

The fund is one of 5 low cost, multi asset, fettered fund of funds, that has been designed to map specifically to a DT risk profile. DT is a provider of financial planning technology and has created a set of risk profiles, ranging from 1 (lowest) to 10 (highest), that cater to a variety of client attitudes to risk. This fund maps specifically to risk profile 4 and is designed to be the second lowest risk within the Multi Index range. DT also publish a set of model asset allocations that accompany the risk profiles however L&G believe that they can build more efficient portfolios, that provide a greater level of return for the stated level of risk, and so build their own. The multi asset funds team work in conjunction with other teams from within the wider group to build the funds long term asset allocation which is used as the starting point for portfolio construction. This asset allocation is reviewed at least annually and the time horizon over which L&G makes its longer term forecasts is 10 years or greater. The portfolios are built with a good appreciation of risk of capital loss and an awareness that markets do not always behave as the manager's models predict.

Adjustments to the long term allocation are made on a shorter term basis (1-5 years) and are described as their 'dynamic asset allocation'. The Asset Allocation team are directly responsible for formulating the ideas which drive changes and the research behind this is broadly categorised into three areas: Fundamental returns - what is the current market fair value; Macro themes - what trends and themes are having the greatest influence on markets; Tail risk events - unlikely events that may have a great impact on the performance of markets. The manager is then responsible for reflecting these views in the portfolio and weighting them according to conviction.

The collective view is reflected in the allocations and weighted to the degree of conviction. The fund operates as a fettered fund of funds and will principally invest into L&G group funds. It predominantly invests in index tracking funds. L&G take a common sense approach to index fund management described as 'pragmatic replication' and whilst they aim to hold every stock in an index this is not done at any cost. Actively managed funds from the group may also be held and this is most likely to be across property and fixed income asset classes.

Risk Summary

The fund targets a defined level of risk on a forward looking basis however over the short term, and on a realised basis, risk may fall outside of the range.

The fund will invest predominantly in passive investments and it is unlikely that any significant additional return above that of the index will be achieved from the underlying funds. This means the funds longer term asset allocation, and any shorter term adjustments to this will largely determine whether the fund meets its objective.

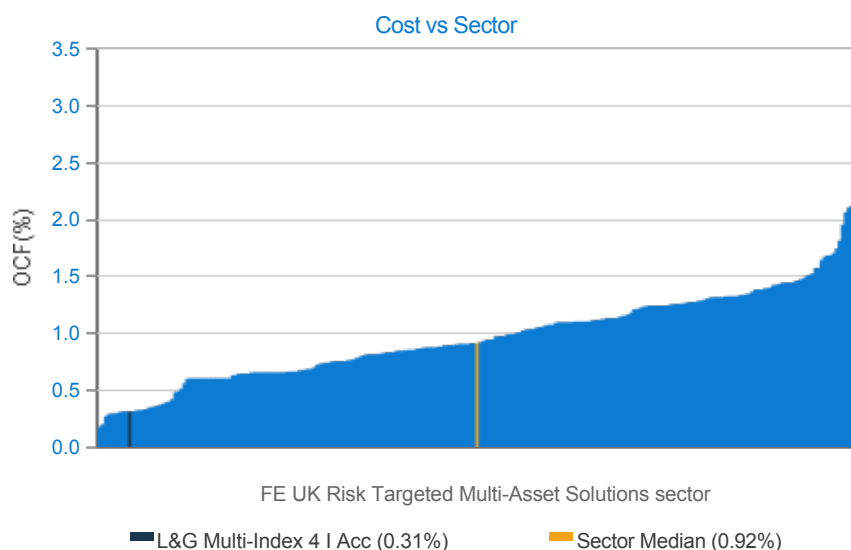
The low overall cost of the fund constrains the investible universe, which is generally more limited than a number of competitors which charge higher fees.

Value for Money

(Calculation as at 15 Jan 2019)

The ongoing charge figure (OCF) for this fund is one of the lowest in the sector. The use primarily of the groups own passive range of funds helps to keep the overall cost at a low level. We believe the fund offers very good value for money when you consider it is actively managed, both its longer term and shorter term positioning, and offers exposure to a diversified range of assets.

Following the introduction of MiFID II regulations in January 2018, asset management firms are now required to disclose all costs and charges related to the running and administration of funds. This can include items outside of the OCF, such as research costs. As a result, Legal & General Investment Management will be absorbing the costs associated with their research, which should slightly reduce the overall fee paid by investors. This step is at the discretion of each fund group, but it is one that a number of firms have followed.



This chart shows the ongoing charge figure (OCF) for the fund relative to the median and all other funds in the sector. Each blue bar represents the OCF of an individual fund's 'primary' share class as meets the Investment Association's definition.

Socially Responsible Investing

The fund has no specific environmental, social or governance (ESG) criteria within its primary objective. In addition, the fund also makes extensive use of index tracker funds and therefore will not actively screen out companies either.

Corporate governance is however an integral part of the wider asset management function and LGIM firmly believe that companies that demonstrate good practice and have sustainable business policies will usually generate superior financial benefits for shareholders. LGIM influence businesses to act in a responsible way by voting at annual general meetings, engaging with companies and their management, participation in consultation papers and surveys to help shape corporate practices and through active communications on the importance of governance as well as issuing quarterly reports summarising their voting and engagement activity. As a business LGIM fully endorses the UK Corporate Governance Code and expects all companies regardless of domicile to comply with these guidelines or explain why they have not done so.

Additional Information

Annualised Return	5.19%
Annualised Volatility	4.37%
Max Drawdown	-4.41%
Max Gain	12.43%
Max Loss	-2.53%
Sharpe Ratio	0.27
Sortino Ratio	0.27

(3 year data to last month end)

Currency of Share Class

GBP

Fund Price (as at 11 Jan 2019)

67.2 pence

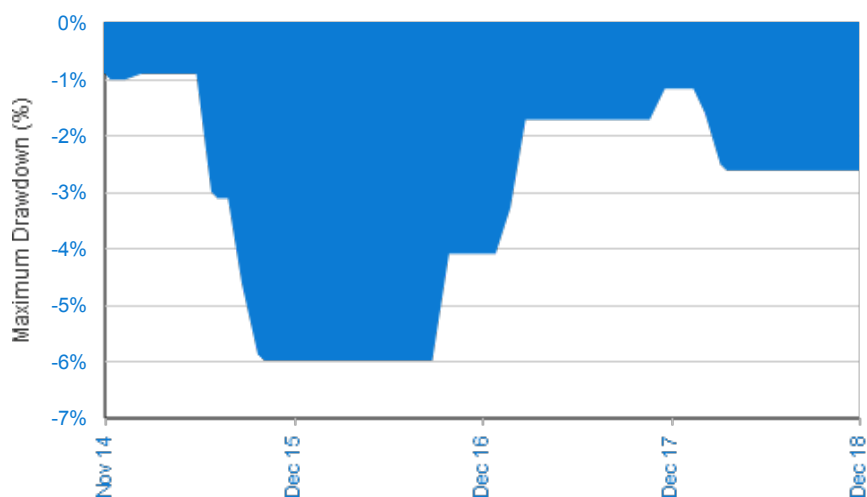
Benchmark

None Stated

Discrete Annual Performance to Last Quarter End

Period	Fund (%)	Sector (%)	Quartile Ranking
0-12m	-3.6	-5.4	-
12-24m	6.6	8.3	-
24-36m	11.7	13.1	-
36-48m	2.7	1.5	-
48-60m	8.9	7.1	-

Maximum Drawdown (Rolling 12 Months)



Asset Allocation Positioning

Name	%
UK Corporate Fixed Interest	13.4
Global Emerging Market Fixed Interest	10.0
Global Index Linked	8.8
North American Equities	8.7
UK Equities	7.8
Global Corporate Fixed Interest	7.2
Europe ex UK Equities	6.9
Others	37.2

(Data as at 30 Nov 2018)

Top Ten Holdings

(Data as at 30 Nov 2018)

Company Name	%
LGIM STERLING LIQUIDITY FUND CLASS 1	11.5
L&G STERLING CORPORATE BOND INDEX FUND	11.1
L&G US INDEX	7.6
LGIM GLOBAL CORPORATE BOND FUND	7.2
L&G GLOBAL INFLATION LINKED BOND INDEX FUND	6.7
L&G UK INDEX TRUST	6.2
L&G EUROPEAN INDEX TRUST	5.8
L&G EMERGING MARKETS GOVERNMENT BOND (US\$) INDEX FUND	5.5
L&G JAPAN INDEX TRUST	5.0
L&G EMERGING MARKETS GOVERNMENT BOND (LOCAL CURRENCY) INDEX FUND	4.5

Geographic Breakdown

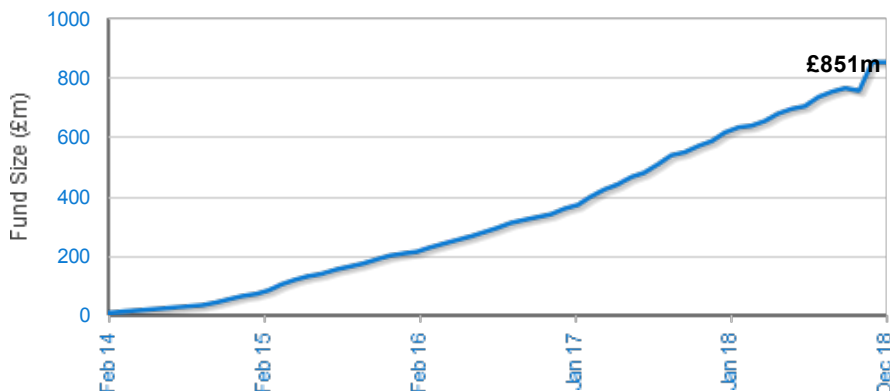
(Data as at 30 Nov 2018)



- UK (29%)
- International (25%)
- Global Emerging Markets (13%)
- North America (9%)
- Not Specified (7%)
- Europe ex UK (7%)
- Japan (5%)
- Money Market (2%)
- Asia Pacific ex Japan (2%)

Assets Under Management

(Data as at 30 Nov 2018)



Financial Express Crown Rating



Financial Express Alpha Manager Rating

N

Qualitative Risk Assessment

	Significant	Potentially Significant	Not Significant
Equity Risk		●	
Interest Rate Risk	●		
Credit Risk		●	
Exchange Rate Risk		●	
Liquidity Risk			●
Emerging Markets Risk			●
Derivative Risk			●
Manager Risk		●	

Equity Risk

The fund will have exposure to shares. Shares are volatile investments but diversification across asset classes may moderate these risks. At times of economic stress, volatility may rise as might correlations between asset class returns.

Interest Rate Risk

This is a multi-asset fund. Higher interest rates may adversely impact valuations of many financial assets.

Credit Risk

This is a multi-asset fund with exposure to credit markets. A widening in credit spreads may impact the fund. Note that wider credit spreads often occur at times of weaker stock markets and/or weakening economies.

Exchange Rate Risk

The fund has exposure to assets denominated in foreign currencies. Changes to exchange rates may impact the fund price.

Liquidity Risk

The fund primarily invests in liquid assets.

Emerging Markets Risk

The fund predominantly invests in developed markets.

Derivative Risk

The fund does not invest significantly in derivatives.

Manager Risk

The manager is seen as an important element in Square Mile's rating of the fund, although potential alternatives may exist elsewhere in the organisation. Square Mile will reappraise the rating if the lead manager were to leave.

FE Risk Rating: 43

SRRI: 4

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