For Professional Clients**

Legal & General Multi-Index 3 Fund

I class. Q4 2017.

** Please note that this document has been produced for professional advisers for discussion with existing investors who are familiar with investment terminology.

WHAT'S THE STORY?

Is the economic cycle maturing? As we welcome 2018, we can think back to how mature we were at 18. As one comes of age, we think the world is our oyster; we can vote, open a bank account, even buy a round at the pub. Indeed, the maturing of the economic cycle is often thought to be a key driver of equity markets. With unemployment continuing to fall and profit margins looking extremely healthy there are signs that we are moving to a point where the economic cycle is becoming more mature. On the other hand, wages and inflation remain stubbornly low and monetary policy remains loose by central banks globally. So, maybe the economic cycle still has lots of growing up to do…just like we all did at 18.

RISK PROFILE CONFIRMATION STATEMENT

The Risk Profile Volatility Band data is supplied by Distribution Technology. Although this product has been designed with Distribution Technology's Dynamic Planner model in mind – and these are the risk ratings we specifically target – the portfolios can be risk-mapped to different risk profilers. Distribution Technology has assessed the Legal & General Multi-Index 3 Fund and their analysis has indicated that the fund has remained in line with the fund risk profile 3 (as at 30 September 2017). *Expected volatility (as at 31 December 2017) as calculated by LGIM using data provided by Distribution Technology.

Multi-Index fund range	**3**	**4**	**5**	**6**	**7**
DT risk profile volatility band	4.2% - 6.3%	6.3% - 8.4%	8.4% - 10.5%	10.5% - 12.6%	12.6% - 14.7%
Expected volatility*	5.7%	7.6%	9.7%	11.4%	13.3%

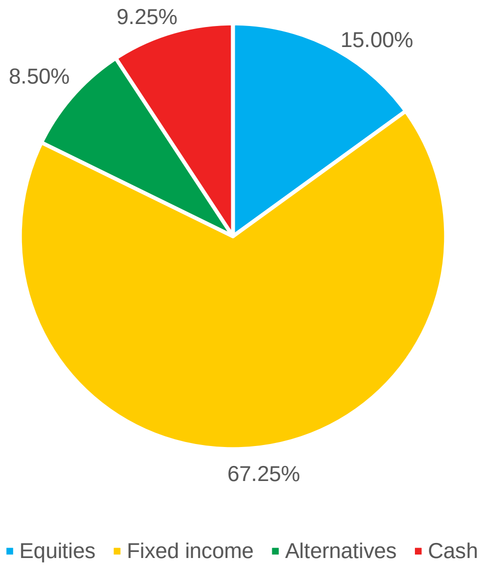
← Lower risk —— Higher risk →

TARGET ASSET ALLOCATION BREAKDOWN (AS AT 31 DECEMBER 2017)

Equities	**15.00%**
Legal & General UK Index Trust	3.50%
Legal & General UK Mid Cap Fund	0.50%
Legal & General European Index Trust	2.75%
Legal & General US Index Trust	4.25%
Legal & General Japan Index Trust	2.50%
Legal & General Pacific Index Trust	0.50%
Legal & General Global Emerging Markets Index Fund	0.50%
US and European energy index futures	0.50%
Fixed Income	**67.25%**
Legal & General High Income Trust	3.00%
Legal & General EM Government Bond (US$) Index Fund	6.00%
Legal & General EM Government Bond (Local Currency) Index Fund	4.50%
Legal & General Sterling Corporate Bond Index Fund	10.50%
Legal & General Short Dated Sterling Coporate Bond Index Fund	8.25%
LGIM Global Corporate Bond Fund	8.00%
Legal & General All Stocks Gilts Index Trust	10.00%
L&G Euro Treasury Bond Index and Portuguese government bonds	2.50%
Australian government bonds futures	2.50%
Legal & General All Stocks Index Linked Gilt Index Trust	1.00%
Legal & General Global Inflation Linked Bond Index Fund	11.00%
Alternatives	**8.50%**
Legal & General UK Property Fund	4.50%
Legal & General Global Real Estate Dividend Index Fund	2.00%
US and European utility index futures (Infrastructure proxy)	2.00%
Cash	**9.25%**

Source: LGIM

TARGET ASSET ALLOCATION



Legal & General
INVESTMENT MANAGEMENT

FUND PERFORMANCE (%)

12 months to	31 Dec 14	31 Dec 15	31 Dec 16	31 Dec 17
Performance	8.41	2.08	10.10	4.35

Source: Lipper, LGIM as at 31 December 2017. Total Return net of tax and charges. I class accumulation.
Please remember, the value of investments and any income from them may fall as well as rise and you may get back less than you invest.

Past performance is not a guide to future performance.

FUND REVIEW

The fund produced a positive return over the quarter.

Much like the rest of 2017 the final quarter was characterised by positive but not euphoric market sentiment and contained volatility. Most equity markets continued to move higher over the quarter, led by the more cyclical sectors, including energy on the back of higher oil prices.

The US Federal Reserve raised rates by 0.25%, and Jerome Powell was appointed as Federal Reserve Chair. The Bank of England also raised rates by 0.25%, though the case for further hikes remains less clear than in the US. UK ten-year yields dipped slightly over the quarter.

Credit and high yield spreads started and finished at tight levels, apart from a brief spike amidst Middle East tensions. Currency moves were largely subdued in the developed world. Despite higher interest rates in the US, the dollar declined against most other major currencies, including sterling.

The strongest contributions to relative performance came from US equity, UK credit and UK gilts. This helped offset negative contributions from our infrastructure holdings and emerging market debt denominated in both hard and local currencies.

In the previous quarter, we reduced our cash and UK gilt holdings in favour of equities. This quarter we slightly adjusted our mid-risk assets exposure by increasing the weight of local currency EM debt and marginally reducing our target weight to direct UK property.

OUTLOOK

Equities have continued to perform well over the last couple of years thanks to a synchronised economic recovery combined with subdued inflation. This is consistent with mid-economic cycle dynamics. Although we do not predict a recession in 2018, we need to stay vigilant as the economy inches closer to one. There are many potential sources of downside risk in 2018 as current factors combine with our long-standing views on structural headwinds for growth like debt and demographics. Timing is difficult but crucial for successful investment outcomes as market returns may stay strong until just before a correction. Therefore, as macro investors, we spend a lot of resources on analysing market risks and mapping them into our asset allocation.

While there is little visibility on what would be the next catalyst for a large asset price correction, we stay prudent in our investment strategy. We remain vigilant in assessing equity risk. If markets and economic data progress as we expect, we will be gradually reduce the equity exposure as we go deeper into 2018, but if inflation stays subdued and other risks do not build we will be more inclined to stay closer to neutral positioning. In addition, we also hold some specific hedges in the portfolio, namely US inflation-linked bonds amongst our diversified fixed income assets and a larger allocation to the US dollar.

CONTACT US FOR MORE INFORMATION

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*Call costs may vary