

# Legal & General Multi-Index 4 Fund

I class. Q3 2018.



\*\* 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 war on trade overplayed? Well, markets would have you believe it is. While the rhetoric between the US and China boiled over into action this quarter with the implementation of further tariffs from both sides, US equity markets appear to have shrugged it off for now. Other equity markets have not fared as well, but that does not appear to be driven by trade fears. But are they being complacent? The impact of tariffs on growth is unlikely to cause a significant slowdown to what is a positive global economic backdrop. Whilst the bust-up remains bilateral: between China and US, the risk of escalation to other countries and regions definitely remains. Yet trade is the one area in which US President Trump has free reign, with congress needing a 75% majority in both the House of Representatives and the Senate to block any proposals. With this in mind, the rhetoric, the action and the uncertainty is not likely to disappear anytime soon.

## 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 4 Fund and their analysis has indicated that the fund has remained in line with the fund risk profile 4 (as at 30 June 2018). \*Expected volatility (as at 30 September 2018) 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	7.8	9.9	11.9	14.0

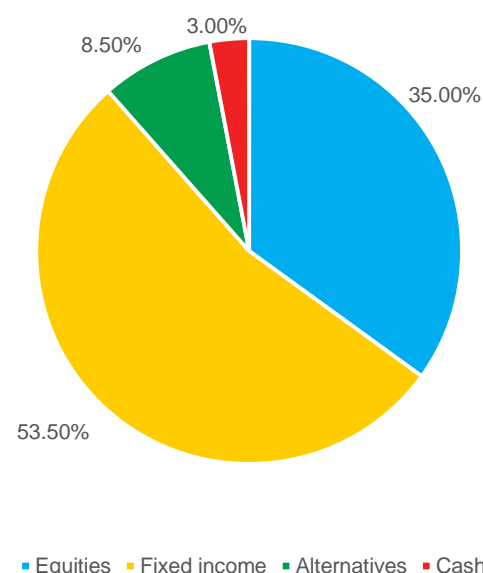
← Lower risk ————— Higher risk →

## TARGET ASSET ALLOCATION BREAKDOWN (AS AT 30 SEPTEMBER 2018)

<b>Equities</b>	<b>35.00%</b>
Legal & General UK Index Trust	7.00%
Legal & General UK Mid Cap Fund	1.00%
Legal & General European Index Trust	6.50%
European Utilities	0.50%
Legal & General US Index Trust	7.50%
US Technology	1.00%
Legal & General Japan Index Trust	5.00%
Legal & General Pacific Index Trust	2.00%
Legal & General Global Emerging Markets Index Fund	2.50%
Indian Equity Futures	0.50%
Legal & General Global Small Cap Equity Index Fund	1.50%
<b>Fixed Income</b>	<b>53.50%</b>
Legal & General High Income Trust	4.50%
Legal & General EM Government Bond (US\$) Index Fund	5.00%
Legal & General EM Government Bond (Local Currency) Index Fund	4.50%
Legal & General Sterling Corporate Bond Index Fund	14.50%
Legal & General Short Duration Corporate Bond Index	2.00%
LGIM Global Corporate Bond Fund	8.00%
Legal & General Emerging Markets Short Duration Bond Fund	0.50%
Legal & General All Stocks Gilts Index Trust	2.00%
Legal & General Euro Treasury Bond Index	2.00%
Australian Government Bonds Futures	1.50%
Legal & General All Stocks Index Linked Gilt Index Trust	1.00%
Legal & General Global Inflation Linked Bond Index Fund	8.00%
<b>Alternatives</b>	<b>8.50%</b>
Legal & General UK Property Fund	4.00%
Legal & General Global Real Estate Dividend Index Fund	2.00%
Legal & General Global Infrastructure Index Fund	2.50%
<b>Cash</b>	<b>3.00%</b>

Source: LGIM

## TARGET ASSET ALLOCATION



**FUND PERFORMANCE (%)**

12 months to	30 September 14	30 September 15	30 September 16	30 September 17	30 September 18
Performance	8.69	2.29	14.08	5.14	2.86

Source: Lipper, LGIM as at 30 September 2018. Total Return net of tax and charges. 1 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 delivered a positive return over the quarter.

The period was kind to multi-asset investors, with various potential risks remaining locally contained. US President Trump imposed further tariffs on Chinese imports, but moved closer to a NAFTA deal. Meanwhile, strong US growth data enabled the Federal Reserve to hike interest rates, stimulating a rise in most sovereign bond yields. Revved by a loose fiscal environment, US equity performance led the pack.

In Europe, Italy’s new government made market overtures, whilst preparing to loosen fiscal policy, and broad European equities performed well. However, poor company news and Brexit negotiation uncertainty drove a dip in UK equity returns. Elsewhere, Argentina and Turkey experienced currency meltdowns, but these were idiosyncratic, and emerging market equities and local currency fixed income ended the quarter flat, while hard currency debt posted slightly positive returns.

Against this strong environment for risk assets, the main positive contributor was US equities. Japanese and European equities, UK property, infrastructure and dollar-denominated emerging market debt also boosted performance. Performance detractors included gilts and global inflation-linked bonds. UK equities, UK credit and emerging market local currency debt dragged on performance.

Mexican equities performed favourably. As we had expected, sentiment picked up and fears about Mexican President Obrador appeared exaggerated. As a result, this quarter we closed our Mexican equities position, and increased our broad emerging market equities holdings in turn. We later bought emerging market short duration bonds, to further diversify our emerging market debt exposure.

**OUTLOOK**

Two countervailing forces have kept markets in a holding pattern recently: growth in the global economy and company earnings, and the ascent of populist economic policies. Trade wars continue to occupy markets’ attention. Although there has yet to be any major fall-out, our economists do anticipate some damage to growth over the next year, and have slightly revised down our GDP forecasts for both US and China.

The Federal Reserve has continued to raise US interest rates, leading to a stronger dollar. We still prefer the dollar to the euro over the medium-term.

We retain our neutral view of equities in the funds, but will look to reduce exposure when we see recession pressures building. We have become more constructive on emerging market equities, and moved to a neutral medium-term view. We still have a negative view of corporate bonds in the growth funds, as they look expensive relative to other bonds i.e. credit spreads do not appear attractive. Lastly, given that heightened protectionism (i.e. tariffs) is likely to be inflationary; this reinforces our view to protect the portfolios through taking more of our fixed income exposure via global inflation-linked bonds.

**CONTACT US FOR MORE INFORMATION**

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\*Call costs may vary

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