

Legal & General  
Global Emerging Markets Index Fund

**Interim Manager's  
Short Report  
for the period ended  
31 January 2017**

**EVERY  
DAY  
MATTERS.®**





## **Investment Objective and Policy**

The objective of the Fund is to track the capital performance of global emerging equity markets, as represented by the FTSE All-World Emerging Index.

The Manager will seek to achieve the investment objective by investing primarily in securities that make up the constituents of the FTSE All-World Emerging Index. The Fund may also invest in stocks which are reasonably expected, at the investment manager's discretion to become part of the Index. Securities will be held with weightings generally proportionate to their market capitalisation. The Fund may hold depository receipts and derivatives both for efficient portfolio management and investment purposes.

The Fund may also invest in other transferable securities, equities, permitted deposits, money market instruments, cash, near cash and units in collective investment schemes.

## **Risk Profile**

### **Market Risk**

Market risk arises mainly from uncertainty about future prices. It represents the potential loss the Fund may suffer through holding market positions in the face of market movements. 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.

This Fund invests in securities which are issued by companies in Emerging Markets and therefore, there is likely to be increased volatility in price movements. The securities may also be less liquid than securities on larger exchanges which are generally traded more frequently.

### **Currency Risk**

This Fund is invested in overseas financial securities. The performance of the Fund 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.

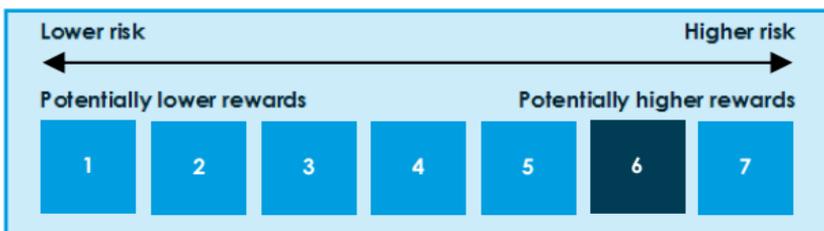
## Fund Facts

Period End Date for Distribution:	31 July	
Distribution Date:	30 September	
Ongoing Charges Figures:	31 Jan 17	31 Jul 16
R-Class	0.97%	0.97%
I-Class	0.33%	0.33%
L-Class	0.18%	0.18%
F-Class	0.57%	0.61%
C-Class	0.23%	0.23%

The Ongoing Charges Figure (OCF) is the ratio of the Fund's total discloseable costs (excluding overdraft interest) to the average net assets of the Fund.

The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a fund 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 Fund's risk and reward category in the future.
- The category is based on the rate at which the value of the Fund has moved up and down in the past.
- This Fund is in category six because it invests in company shares from emerging markets which generally provide higher rewards and higher risks than other investments such as company shares from more developed markets, bonds, cash or commercial property.
- The Fund's category is not guaranteed to remain the same and may change over time.
- Even a fund in the lowest category is not a risk free investment.

## Distribution Information

The policy is to distribute, on an annual basis, all available revenue, after deduction of those expenses which are chargeable in calculating the distribution. This being the case, there is no interim distribution.

## Net Asset Values and Units in Issue

Class	Net Asset Value (£)	Units in Issue	Net Asset Value per Unit (p)
R-Class			
Distribution Units	3,164,772	6,067,547	52.16
Accumulation Units	40,270,045	69,469,931	57.97
I-Class			
Distribution Units	52,674,285	100,681,242	52.32
Accumulation Units	321,510,008	535,720,224	60.01
L-Class			
Distribution Units	275,822,400	527,248,779	52.31
F-Class			
Distribution Units	239,622	456,878	52.45
Accumulation Units	214,785	363,802	59.04
C-Class			
Distribution Units	33,039,852	63,230,163	52.25
Accumulation Units	21,610,842	35,983,437	60.06

**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.**

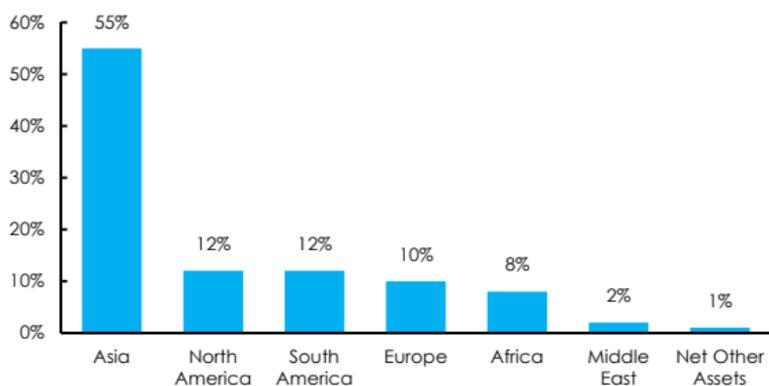
**Exchange rate changes may cause the value of any overseas investments to rise or fall.**

## Portfolio Information

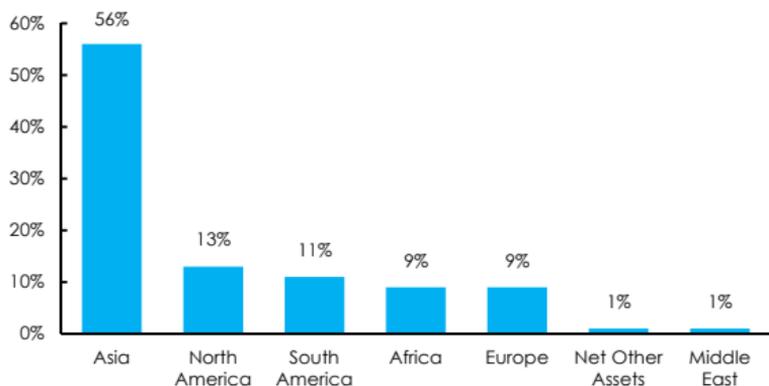
The top 10 holdings and their associated weighting for the current period end and preceding year end were:

Top 10 Holdings at 31 January 2017		Top 10 Holdings at 31 July 2016	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
Tencent Holdings	4.05%	Tencent Holdings	3.89%
Taiwan Semiconductor Manufacturing	3.96%	Taiwan Semiconductor Manufacturing	3.89%
China Construction Bank	1.94%	Naspers	1.99%
Naspers	1.88%	China Mobile	1.98%
China Mobile	1.72%	China Construction Bank 'H'	1.84%
Industrial & Commercial Bank of China 'H'	1.27%	Industrial & Commercial Bank of China 'H'	1.23%
Hon Hai Precision Industry	1.12%	Hon Hai Precision Industry	1.14%
Itau Unibanco (Preference)	1.10%	Housing Development Finance	0.98%
Bank of China 'H'	0.98%	Bank of China 'H'	0.94%
Housing Development Finance	0.89%	Infosys Technologies	0.90%

## Fund Holdings as at 31 January 2017



## Fund Holdings as at 31 July 2016



## **Manager's Investment Report**

During the period under review, the bid price of the Fund's R-Class distribution units rose by 9.00%. FTSE, the Index compiler, calculates the benchmark Index at the end of the business day using closing prices, whereas the Fund is valued using prevailing prices at 12 noon. Therefore, for tracking purposes the Fund has been revalued using closing prices and foreign exchange rates. On this basis over the review period, the Fund rose by 9.46%, compared with the FTSE All-World Emerging Index rise of 9.48% (Source: Bloomberg), producing a tracking difference of -0.02%.

**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-World Emerging 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 licence from FTSE to use such copyright in the creation of this product.

"FTSE™", "FT-SE®" and "Footsie®" are trademarks of the London Stock Exchange Plc and The Financial Times Limited and are used by FTSE International Limited ("FTSE") under license.

## **Market/Economic Review**

Globally, equity markets have made significant gains over the last six months, shrugging off the shock of the UK referendum vote to leave the European Union in June. In the UK, equities were led higher by globally focused large cap stocks, as Sterling's depreciation is positive for international earnings. In the autumn, the US presidential election was the focus of attention and Donald Trump's victory led investors to discount the prospect of fiscal stimulus in the form of increased infrastructure spending and tax cuts. Although the strengthening Dollar remains a significant impediment for revenue growth, the latest quarterly earnings season has been broadly encouraging with results from leading IT and banking stocks exceeding forecasts. Financials have also been boosted by expectations that the new Republican administration will loosen the regulatory regime for the banking sector.

Following the US election, the Dollar rebounded sharply against the Yen, which provided a significant boost to Japanese stocks, particularly major exporting companies. In Europe, corporate results generally exceeded low expectations, although this was mainly due to cost cutting. Concerns over the fragility of the European banking system resurfaced with Deutsche Bank in the spotlight, although Germany's leading bank subsequently reported it had returned to profit during the third quarter.

The emerging markets and smaller Asia Pacific regions gained ground as commodity prices rallied and concerns over the economic background in China abated. However, indications

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

that the incoming Trump administration would herald a protectionist approach to US trade policy preoccupied investors at the turn of the calendar year.

In Brazil, the highlight was the central bank's unexpected decision to cut interest rates by 0.75%. The rate cut was justified by falling inflation and weaker economic activity, triggering substantial inflows into Brazilian equities. Russia underperformed as the oil price fell back. The Greek market weakened as the government failed to reconcile differences with European creditors over conditions attached to the country's latest bailout, with the IMF warning that Greek debt levels are unsustainable.

### **Fund Review**

Companies held within the Fund are held with weightings generally proportionate to those of the benchmark Index. Therefore, investment activity, other than to raise or invest cash, is only necessary when there are changes to the benchmark Index or as a result of a corporate action.

The September 2016 semi-annual Index review resulted in 32 additions and 20 deletions. The additions were primarily concentrated on the promotion of Qatar from the Frontier Index (20 names and 0.59%). The two largest additions were Siam Cement and Kasikornbank which are both Thai Non-voting Depositary Receipts (NVDRs) following a change in the FTSE ground rules. There were a further 98 changes to the free share capital of constituents with the largest increases being PTI, Siam Commercial Bank PCL and Bangkok Dusit Medical Services PCL (all Thailand), and the largest decreases being BRF (Brazil), HDFC Bank Ltd (India) and Lukoil-Holding (Russia). The total two-way Index turnover was 5.3%.

At the December 2016 quarterly Index review, there was a single addition, Orient Securities (China) and a single deletion, Qinqin Foodstuffs Group (China). There were a further 78 changes to the free share capital of constituents with the largest increases being Axis Bank (India), Tencent Holdings (China) and Maruti Suzuki (India), and the largest decreases being HDFC Bank Ltd, ICICI Bank and Kotak Mahindra Bank (all India). Total two-way Index turnover was 0.8%.

Outside of the Index reviews there were weight increases for Ambuja Cements (India) following its stock acquisition of Holcim (Indian non-constituent). Isagen (Columbia) was deleted following its acquisition by Brookfield Renewable Partners in a deal worth COP 40.5 billion and Inotera Memories (Taiwan) was deleted after a cash acquisition by Micron Technology in a deal worth TWD 103.2 billion.

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

There were also weight increases for Banpu (Thailand), Aspen Pharmacare (South Africa), Moneta Money Bank (Czech Republic), UPL (India) and Infraestructura Energetica Nova (Mexico) following updates to shareholder information assessed by FTSE.

The regional breakdown of the Index at the end of the review period was Asia Pacific (63.5%), Latin America (16.6%) and EMEA (19.9%).

### **Outlook**

Emerging markets outperformed the World Index during January with the Emerging Markets Index returning 4.0% in local currency terms, translating into a return of 3.6% in Sterling. Sentiment was boosted by an encouraging start to the earnings season, while the Dollar rally petered out and the US Treasury market stabilised. There was however a wide dispersion in returns between markets with Peru, Brazil and Poland being the leading performers while Greece, Egypt, Russia and Indonesia underperformed.

Emerging markets have stabilised alongside commodity prices. Combined with a more favourable political situation, this should lead to economic improvement in Brazil. The global manufacturing cycle is also finally gaining traction and should support parts of Asia. However, growth in the emerging world is hampered by the need to slow private sector credit growth after years of global easing. Emerging countries also face the prospect of tighter financial conditions, assuming US policy leads to higher global interest rates and weaker domestic currencies.

Growth should remain relatively stable in China as earlier stimulus greases the wheels of the power transition, but the failure to reign in credit growth means the medium-term outlook is becoming increasingly precarious. In addition, capital continues to flow out the country. Our best case is that China will manage a gradual depreciation at the cost of lower reserves and tighter capital controls. But the risk of a faster depreciation remains. India could disappoint in the short term due to Prime Minister Modi's radical currency reforms and cash shortages, but longer term this should help reduce the black economy and raise tax revenues.

The Fund remains in a position to capture the performance of the Index.

Legal & General Investment Management Limited  
(Investment Adviser)  
20 February 2017

## **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.

## **Information on Tracking Error**

The 'Tracking Error' of a Fund is the measure of the volatility of the differences between the return of the Fund and the return of the benchmark Index. It provides an indication of how closely the Fund is tracking the performance of the benchmark Index after considering things such as Fund charges and taxation.

Using monthly returns, over the review period, the annualised Tracking Error of the Fund is 0.02%, whilst over the last three years to the end of January 2017, the annualised Tracking Error of the Fund is 0.03%. These Tracking Errors are within the anticipated Tracking Error levels set out in the Fund's Prospectus of +/-1.50% per annum.

## Minimum Investment Amounts

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

R-Class	£500
I-Class	£1,000,000
L-Class	£100,000
F-Class	£500
C-Class	£100,000,000

In addition, monthly contributions can be made into the R-Class and F-Class with a minimum amount of £50 per month.

L-Class is only available for investment to companies within the Legal & General Group.

F-Class units are only available to:

- i) investors who have received advice from authorised intermediaries and platforms in relation to their investment in units in the Fund and
- ii) authorised intermediaries or distributors who the Manager reasonably considers will adequately bear the costs of marketing to and acquiring investors at no or limited cost to the Manager, and to whom the Manager has confirmed that such distributor or investor meets the criteria for investment in such units.

C-Class Units are only available to distributors who actively market and distribute such Units (or whom the manager believes intends to do so) and to whom the Manager has confirmed by letter that they meet the criteria for investment in such Units.

## Other Information

The information in this report is designed to enable unitholders to understand how the Fund 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 Fund can be obtained by telephoning 0370 050 0955 or by writing to the Manager.

Call charges will vary. We may record and monitor calls.

**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**

Northern Trust Global Services Limited

50 Bank Street,

Canary Wharf,

London E14 5NT

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)  
GEMI0317

