

Legal & General Japan Index Trust  
**Annual Manager's  
Short Report  
for the year ended  
24 October 2018**





## Investment Objective and Policy

The objective of the Trust is to track the capital performance of the Japanese equity market, as represented by the FTSE Japan Index, by investment in a representative sample of stocks selected from all economic sectors.

Securities in the FTSE Japan Index will be held with weightings generally proportionate to their market capitalisation.

From time to time non-Index constituents may be held as a result of a corporate action and these holdings will be sold or transferred as soon as reasonably practical.

The Trust may hold derivatives for the purpose of Efficient Portfolio Management.

## Risk Profile

### Market Risk

Market risk arises mainly from uncertainty about future prices. It represents the potential loss the Trust 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.

### Currency Risk

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

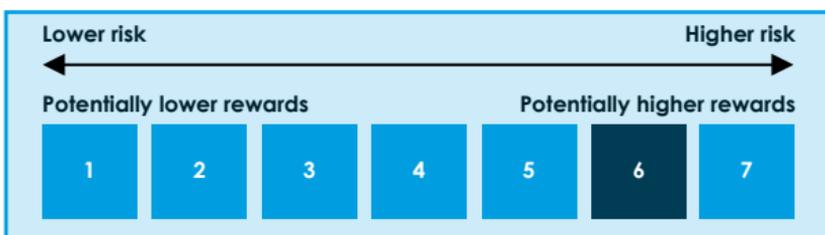
## Trust Facts

Period End Date for Distribution:		24 Oct
Distribution Date:		24 Dec
Ongoing Charges Figures:	24 Oct 18	24 Oct 17
R-Class	0.71%	0.83%
F-Class	0.37%	0.37%
I-Class	0.15%	0.15%
C-Class	0.10%	0.10%

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

The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a trust 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 Trust's risk and reward category in the future.
- The category number highlighted above reflects the rate at which the Trust's unit price has moved up and down in the past. If the Trust has less than five years' track record, the number also reflects the rate at which the Index the Trust tracks has moved up and down in the past. Higher numbers mean the potential reward could be greater, but this comes with increased risk of losing money.
- The Trust is in category six because it invests in company shares which are sensitive to variations in the stock market. The value of company shares can change substantially over short periods of time. Company shares are generally considered to be higher risk investments than bonds or cash.
- The Trust's category is not guaranteed to remain the same and may change over time.
- Even a trust in the lowest category is not a risk free investment.

## Distribution Information

### R-Class

The distribution payable on 24 December 2018 is 0.6576p per unit for distribution units and 0.7394p per unit for accumulation units.

### F-Class

The distribution payable on 24 December 2018 is 0.8431p per unit for distribution units and 0.9701p per unit for accumulation units.

### I-Class

The distribution payable on 24 December 2018 is 0.9616p per unit for distribution units and 1.1512p per unit for accumulation units.

### C-Class

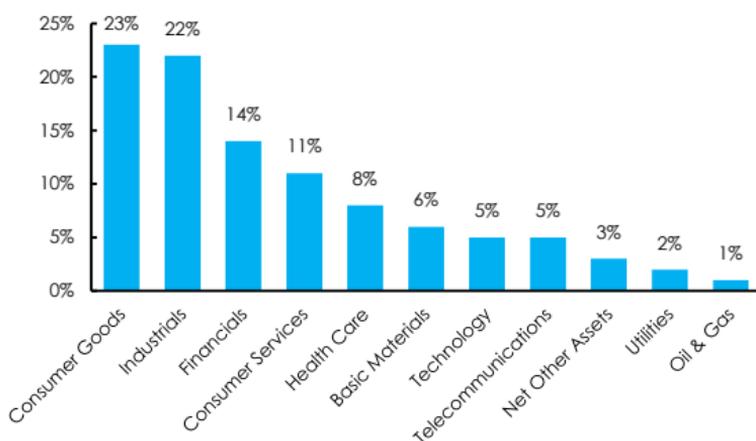
The distribution payable on 24 December 2018 is 0.9878p per unit for distribution units and 1.1848p per unit for accumulation units.

## Portfolio Information

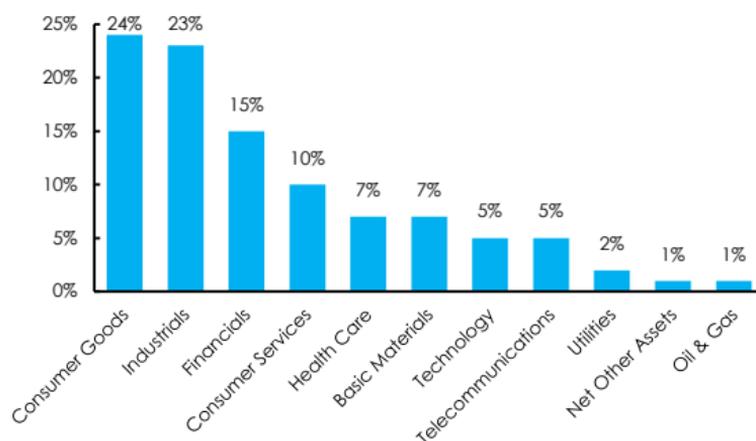
The top 10 holdings and their associated weighting at the current and preceding year ends were:

Top 10 Holdings at 24 October 2018		Top 10 Holdings at 24 October 2017	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
Toyota Motor	3.97%	Toyota Motor	4.23%
Mitsubishi UFJ Financial	2.00%	Mitsubishi UFJ Financial	2.22%
Sony	1.87%	SoftBank Group	2.01%
SoftBank Group	1.86%	Honda Motor	1.43%
Sumitomo Mitsui Financial	1.36%	Sumitomo Mitsui Financial	1.37%
Honda Motor	1.27%	KDDI	1.29%
KDDI	1.24%	Keyence	1.28%
Keyence	1.16%	Sony	1.24%
Mizuho Financial	1.15%	Mizuho Financial	1.18%
Mitsubishi	1.00%	Fanuc	1.14%

## Trust Holdings as at 24 October 2018



## Trust Holdings as at 24 October 2017



## Comparative Tables

### R-Class Distribution Units

#### Change in Net Asset Value per Unit

Accounting Year ending	24/10/18 (pence per unit)	24/10/17 (pence per unit)	24/10/16 (pence per unit)
Opening net asset value per unit	53.82	49.67	38.96
Return before operating charges*	(0.43)	5.03	11.57
Operating charges (calculated on average price)	(0.39)	(0.42)	(0.34)
Return after operating charges*	(0.82)	4.61	11.23
Distributions on income units	(0.66)	(0.46)	(0.52)
Closing net asset value per unit	52.34	53.82	49.67
* after direct transaction costs of:	—	—	—

### Performance

Return after charges	(1.52)%	9.28%	28.82%
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### Other Information

Closing net asset value (£)	388,244,951	503,353,540	461,598,533
Closing number of units	741,796,787	935,225,404	929,418,795
Operating charges†	0.71%	0.83%	0.83%
Direct transaction costs	0.01%	0.00%	0.01%

### Prices

Highest unit price	57.91p	54.38p	50.31p
Lowest unit price	51.20p	46.68p	33.83p

† Operating charges, otherwise known as the OCF is the ratio of the Trust's total disclosable costs (excluding overdraft interest) to the average net assets of the Trust.

**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.**

## Comparative Tables continued

### R-Class Accumulation Units

#### Change in Net Asset Value per Unit

Accounting Year ending	24/10/18 (pence per unit)	24/10/17 (pence per unit)	24/10/16 (pence per unit)
Opening net asset value per unit	60.52	55.38	42.98
Return before operating charges*	(0.49)	5.61	12.78
Operating charges (calculated on average price)	(0.44)	(0.47)	(0.38)
Return after operating charges*	(0.93)	5.14	12.40
Distributions	(0.74)	(0.51)	(0.57)
Retained distributions on accumulation units	0.74	0.51	0.57
Closing net asset value per unit	59.59	60.52	55.38
* after direct transaction costs of:	—	—	—

### Performance

Return after charges	(1.54)%	9.28%	28.85%
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### Other Information

Closing net asset value (£)	58,068,840	60,184,617	57,114,192
Closing number of units	97,447,020	99,444,691	103,139,304
Operating charges†	0.71%	0.83%	0.83%
Direct transaction costs	0.01%	0.00%	0.01%

### Prices

Highest unit price	65.11p	60.64p	55.51p
Lowest unit price	57.57p	52.05p	37.33p

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## Comparative Tables continued

### F-Class Distribution Units

#### Change in Net Asset Value per Unit

Accounting Year ending	24/10/18 (pence per unit)	24/10/17 (pence per unit)	24/10/16 (pence per unit)
Opening net asset value per unit	53.92	49.76	39.03
Return before operating charges*	(0.45)	5.06	11.63
Operating charges (calculated on average price)	(0.20)	(0.19)	(0.14)
Return after operating charges*	(0.65)	4.87	11.49
Distributions on income units	(0.84)	(0.71)	(0.76)
Closing net asset value per unit	52.43	53.92	49.76
* after direct transaction costs of:	—	—	—

#### Performance

Return after charges	(1.21)%	9.79%	29.44%
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#### Other Information

Closing net asset value (£)	7,959	8,185	2,738
Closing number of units	15,180	15,180	5,502
Operating charges†	0.37%	0.37%	0.37%
Direct transaction costs	0.01%	0.00%	0.01%

#### Prices

Highest unit price	58.20p	54.74p	50.83p
Lowest unit price	51.40p	46.79p	34.00p

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## Comparative Tables continued

### F-Class Accumulation Units

#### Change in Net Asset Value per Unit

Accounting Year ending	24/10/18 (pence per unit)	24/10/17 (pence per unit)	24/10/16 (pence per unit)
Opening net asset value per unit	62.02	56.49	43.65
Return before operating charges*	(0.52)	5.74	13.01
Operating charges (calculated on average price)	(0.23)	(0.21)	(0.17)
Return after operating charges*	(0.75)	5.53	12.84
Distributions	(0.97)	(0.80)	(0.84)
Retained distributions on accumulation units	0.97	0.80	0.84
Closing net asset value per unit	61.27	62.02	56.49
* after direct transaction costs of:	—	—	—

### Performance

Return after charges	(1.21)%	9.79%	29.42%
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### Other Information

Closing net asset value (£)	187,346	238,579	215,450
Closing number of units	305,774	384,694	381,420
Operating charges†	0.37%	0.37%	0.37%
Direct transaction costs	0.01%	0.00%	0.01%

### Prices

Highest unit price	66.94p	62.14p	56.84p
Lowest unit price	59.11p	53.12p	38.02p

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## Comparative Tables continued

### I-Class Distribution Units

#### Change in Net Asset Value per Unit

Accounting Year ending	24/10/18 (pence per unit)	24/10/17 (pence per unit)	24/10/16 (pence per unit)
Opening net asset value per unit	53.78	49.62	38.92
Return before operating charges*	(0.45)	5.07	11.62
Operating charges (calculated on average price)	(0.08)	(0.08)	(0.06)
Return after operating charges*	(0.53)	4.99	11.56
Distributions on income units	(0.96)	(0.83)	(0.86)
Closing net asset value per unit	52.29	53.78	49.62
* after direct transaction costs of:	—	—	—

### Performance

Return after charges	(0.99)%	10.06%	29.70%
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### Other Information

Closing net asset value (£)	325,138,992	256,555,527	204,729,822
Closing number of units	621,857,089	477,058,030	412,558,664
Operating charges†	0.15%	0.15%	0.15%
Direct transaction costs	0.01%	0.00%	0.01%

### Prices

Highest unit price	58.17p	54.71p	50.80p
Lowest unit price	51.30p	46.68p	33.87p

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## Comparative Tables continued

### I-Class Accumulation Units

#### Change in Net Asset Value per Unit

Accounting Year ending	24/10/18 (pence per unit)	24/10/17 (pence per unit)	24/10/16 (pence per unit)
Opening net asset value per unit	64.39	58.51	45.11
Return before operating charges*	(0.54)	5.97	13.47
Operating charges (calculated on average price)	(0.10)	(0.09)	(0.07)
Return after operating charges*	(0.64)	5.88	13.40
Distributions	(1.15)	(0.97)	(1.00)
Retained distributions on accumulation units	1.15	0.97	1.00
Closing net asset value per unit	63.75	64.39	58.51
* after direct transaction costs of:	—	—	—

#### Performance

Return after charges	(0.99)%	10.05%	29.71%
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#### Other Information

Closing net asset value (£)	294,457,798	346,552,117	372,901,774
Closing number of units	461,914,720	538,240,890	637,278,526
Operating charges†	0.15%	0.15%	0.15%
Direct transaction costs	0.01%	0.00%	0.01%

#### Prices

Highest unit price	69.64p	64.51p	58.88p
Lowest unit price	61.43p	55.04p	39.26p

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## Comparative Tables continued

### C-Class Distribution Units

#### Change in Net Asset Value per Unit

Accounting Year ending	24/10/18 (pence per unit)	24/10/17 (pence per unit)	24/10/16 (pence per unit)
Opening net asset value per unit	53.76	49.61	38.91
Return before operating charges*	(0.45)	5.05	11.63
Operating charges (calculated on average price)	(0.05)	(0.05)	(0.04)
Return after operating charges*	(0.50)	5.00	11.59
Distributions on income units	(0.99)	(0.85)	(0.89)
Closing net asset value per unit	52.27	53.76	49.61
* after direct transaction costs of:	—	—	—

### Performance

Return after charges	(0.93)%	10.08%	29.79%
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### Other Information

Closing net asset value (£)	97,412,034	82,554,382	65,325,624
Closing number of units	186,375,647	153,561,267	131,683,320
Operating charges†	0.10%	0.10%	0.10%
Direct transaction costs	0.01%	0.00%	0.01%

### Prices

Highest unit price	58.03p	54.72p	50.82p
Lowest unit price	51.19p	46.66p	33.92p

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## Comparative Tables continued

### C-Class Accumulation Units

#### Change in Net Asset Value per Unit

Accounting Year ending	24/10/18 (pence per unit)	24/10/17 (pence per unit)	24/10/16 (pence per unit)
Opening net asset value per unit	64.48	58.57	45.13
Return before operating charges*	(0.54)	5.97	13.49
Operating charges (calculated on average price)	(0.07)	(0.06)	(0.05)
Return after operating charges*	(0.61)	5.91	13.44
Distributions	(1.18)	(1.01)	(1.03)
Retained distributions on accumulation units	1.18	1.01	1.03
Closing net asset value per unit	63.87	64.48	58.57
* after direct transaction costs of:	—	—	—

### Performance

Return after charges	(0.95)%	10.09%	29.78%
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### Other Information

Closing net asset value (£)	86,485,952	29,781,776	25,037,276
Closing number of units	135,404,891	46,186,600	42,745,429
Operating charges†	0.10%	0.10%	0.10%
Direct transaction costs	0.01%	0.00%	0.01%

### Prices

Highest unit price	69.60p	64.61p	58.94p
Lowest unit price	61.40p	55.10p	39.35p

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## **Manager's Investment Report**

During the year under review, the bid price of the Trust's R-Class distribution units fell by 2.36%. FTSE, the Index compiler, calculates the benchmark Index at the end of the business day using closing prices, whereas the Trust is valued using prevailing prices at 12 noon. Therefore, for tracking purposes the Trust has been revalued using closing prices and foreign exchange rates. On this basis, over the review year, the Trust fell by 2.93% on a capital only basis compared with the FTSE World Japan Index fall of 2.92% (Source: Bloomberg), producing a tracking difference of -0.01%.

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## **Market/Economic Review**

The global economic background has improved over the past twelve months, driven increasingly by the strength of domestic demand in the major economies. Despite a rise in commodity prices, with the oil price (Brent Crude) recovering to over \$82 per barrel in September, its highest level since 2014, inflationary pressures worldwide have remained subdued by historical standards. Japan recorded eight consecutive quarters of growth as monetary policy has remained loose, although the economy contracted during the first quarter of 2018, before subsequently rebounding last quarter.

The return to the Sterling investor was impacted by 2.79% appreciation of Yen. At the start of the year £1 would have bought ¥149.49, whilst by the end of the year the amount had decreased to ¥145.33. The best performing sectors were Oil & Gas Producers (+36.12%), Health Care Equipment & Services (+18.29%) and Food & Drug Retailers (+16.96%); the worst performing sectors were Tobacco (-22.09%), Industrial Engineering (-17.72%) and Chemicals (-16.24%).

## **Trust Review**

Companies held within the Trust 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.

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

The quarterly Index review in December 2017 resulted in no additions and no deletions. There were 41 changes to the free share capital of constituents with the largest increases being Ain, Skylark and SBI and the largest decreases being Toyota Motor, Hitachi and Astellas Pharmaceutical. The two-way Index turnover was 0.33%.

At the semi-annual Index review in March 2018, there were 10 additions and 3 deletions. Tokai Carbon, Kyowa Exeo and Shima Seiki Manufacturing were the largest additions, whereas Senshu Ikeda, Juroku Bank and Adastria were deleted from the Index. There were 31 changes to the free share capital of constituents with the largest increases being Toshiba, Skylark and Daifuku and the largest decreases being NTT DoCoMo, Honda Motor and NTT. The two-way Index turnover was 1.30%.

The quarterly Index review in June 2018 resulted in no additions and no deletions. There were 173 changes to the free share capital of constituents with the largest increases being Sysmex, Coca-Cola Bottlers Japan and Yaskawa Electric and the largest decreases being Toyota Motor, Denso and Tokio Marine. The two-way Index turnover was 0.69%.

At the semi-annual Index review in September 2018, there were fourteen additions to the Index, with the largest being TechnoPro, Nippon Gas and Fancl. There were three deletions including Mitsui Engineering & Shipbuilding, Japan Display and Colopl. There were 44 changes to the free share capital of constituents with the largest increases being Terumo, Unicharm and Hirose Electric and the largest decreases being Toyota Motor, Mitsubishi UFJ Financial and FamilyMart. The two-way Index turnover was 1.02%.

Outside of the Index reviews, there were several Index changes due to initial public offering (IPO) and merger and acquisition (M&A) activities. SG qualified as a fast entry to the Index following its IPO which raised USD \$ 1.1 billion in December 2017. Additionally, following the shareholder meeting approval for the delisting arrangement Hitachi Kokusai was deleted from the Index in February 2018. Yakult Honsha increased its free float after Danone Probiotics sold 18.35 million shares through a block sale. Similarly, Renesas Electronics increased its weight in the Index after government-backed fund INCJ has sold part of its stake via secondary placing. Yahoo Japan increased its weight in the Index after secondary placing by Altaba (USA, non-constituent).

## **Outlook**

Japanese stocks underperformed global equities by 1.6% over the review year, with investors adopting a cautious approach as the Yen strengthened against the major currencies at the end of October. According to the OECD, the economic growth is projected to reach 1.25 per cent in 2018 and 2019, supported by exports, business investment and private consumption. Trade wars continue

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

to occupy markets' attention. Although there has yet to be any major fall-out, LGIM economists do anticipate some damage to growth over the next year, and have slightly revised down GDP forecasts for major economies.

The Trust remains well positioned to capture the market performance.

Legal & General Investment Management Limited

(Investment Adviser)

15 November 2018

## **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 Trust is the measure of the volatility of the differences between the return of the Trust and the return of the benchmark Index. It provides an indication of how closely the Trust is tracking the performance of the benchmark Index after considering things such as Trust charges and taxation.

Using monthly returns, over the review year, the annualised Tracking Error of the Trust is 0.13%, whilst over the last three years to the end of October 2018, the annualised Tracking Error of the Trust is 0.09%. These Tracking Errors are within the anticipated Tracking Error levels set out in the Trust's Prospectus of +/-0.50% per annum.

## **Minimum Investment Amounts**

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

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

In addition, monthly contributions can be made into the F-Class with a minimum amount of £50 per month and with a minimum amount of £20 per month into the R-Class.

F-Class units are only available to:

- i) investors who have received advice from authorised intermediaries, platforms or other distributors in relation to their investment in units in the Trust and
- ii) 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 available to certain eligible investors who meet the criteria for investment in such units as outlined in the share class policy of the Manager, which is available to investors in the C-Class upon request. Where investors in the C-Class no longer continue to meet the criteria for investment in such units, further investment in such units may not be permitted.

## **Other Information**

The information in this report is designed to enable unitholders to understand how the Trust has performed during the year under review and how it is invested at the year end. Further information on the activities and performance of the Trust can be obtained by telephoning 0370 050 0955 or by writing to the Manager.

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

## **Significant Changes**

### **Change of Fund Management Fees (FMF)**

With effect from 1 June 2018, the FMF for R-Class was reduced from 0.83% to 0.53%.

### **Change of Auditor**

With effect from 28 April 2018, PricewaterhouseCoopers LLP ceased to be Independent Auditors of the Trust and KPMG LLP have been appointed. The change of Auditor has no impact on the way the Trust is operated.

### **General Data Protection Regulation (GDPR)**

Legal & General takes your privacy very seriously. Under data protection legislation, we have classified ourselves as a 'data controller'. This means that we are subject to certain obligations relating to how we process personal data. These obligations include, without limitation, providing individuals with certain information regarding how we process their personal data.

We will use the personal data you have provided to us in connection with an investment in units of Legal & General Japan Index Trust, including your name, age, contact details, bank account details, transactions and the invested amount, and any information regarding the dealing in units in accordance with all applicable data protection laws and our Privacy Policy which is available from 25 May 2018 at [www.lgim.com/UTMprivacy](http://www.lgim.com/UTMprivacy) (or available upon request). Our Privacy Policy sets out, amongst other things, the purpose or purposes for which your personal data is collected and intended to be processed and also contains any other information prescribed by data protection legislation.

**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 SE

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**

KPMG LLP

15 Canada Square

London E14 5GL

**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)  
JA11218

