

Legal & General International Index Trust  
**Interim Manager's  
Short Report  
for the period ended  
6 April 2017**

**EVERY  
DAY  
MATTERS.®**





## Investment Objective and Policy

The investment objective of the Trust is to track the capital performance of global equity markets, as represented by the FTSE World (excluding UK) Index, by investment mainly in a representative sample of stocks selected from all economic sectors.

Exposure to securities in the FTSE World (excluding UK) Index will be held with weightings generally proportionate to each company's market capitalisation. Derivatives will be used for efficient portfolio management purposes only.

Where the Trust is of a relatively small size, the accuracy of the weighting of holdings may not reflect the composition of the FTSE World (excluding UK) Index.

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 also invest in deposits, cash, near cash, Collective Investment Schemes and money market instruments.

## 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 Dates for Distributions:	6 Apr, 6 Oct	
Distribution Dates:	6 Jun, 6 Dec	
Ongoing Charges Figures:	6 Apr 17	6 Oct 16
R-Class	0.89%	0.89%
I-Class	0.13%	0.13%
F-Class	0.37%	0.43%
C-Class	0.08%	0.08%

The Ongoing Charges Figure (OCF) is the ratio of the Trust's total discloseable 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 is based on the rate at which the value of the Trust has moved up and down in the past.
- This Trust is in category five because it invests in company shares which generally provide higher rewards and higher risks than other investments such as bonds, cash or commercial property.
- 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 6 June 2017 is 0.5074p per unit for distribution units and 0.5719p per unit for accumulation units.

### I-Class

The distribution payable on 6 June 2017 is 0.9100p per unit for distribution units and 1.0748p per unit for accumulation units.

### F-Class

The distribution payable on 6 June 2017 is 0.7837p per unit for distribution units and 0.8973p per unit for accumulation units.

### C-Class

The distribution payable on 6 June 2017 is 0.9333p per unit for distribution units and 1.1076p per unit for accumulation units.

## Net Asset Values and Units in Issue

Class	Net Asset Value (£)	Units in Issue	Net Asset Value per Unit (p)
R-Class			
Distribution Units	19,538,814	18,601,211	105.04
Accumulation Units	76,976,290	64,686,523	119.00
I-Class			
Distribution Units	271,088,881	257,918,460	105.11
Accumulation Units	484,056,356	386,513,083	125.24
F-Class			
Distribution Units	106,743	101,406	105.26
Accumulation Units	989,684	815,068	121.42
C-Class			
Distribution Units	430,632,968	409,855,446	105.07
Accumulation Units	138,910,857	110,726,822	125.45

**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.**

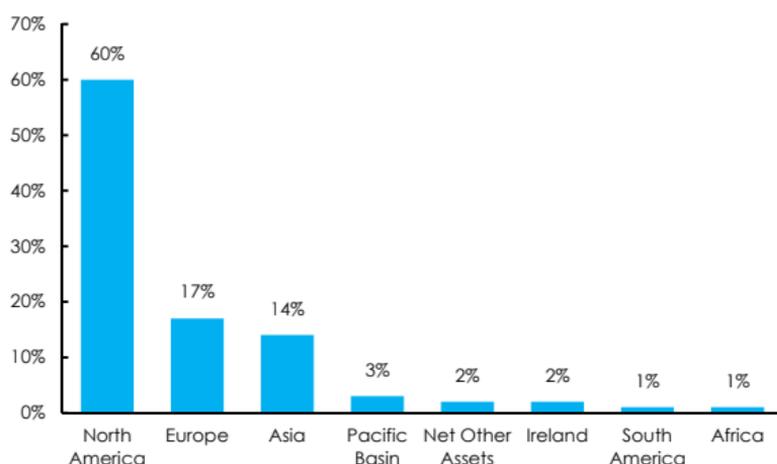
**Exchange rate changes may cause the value of any overseas investments to rise or fall.**

## Portfolio Information

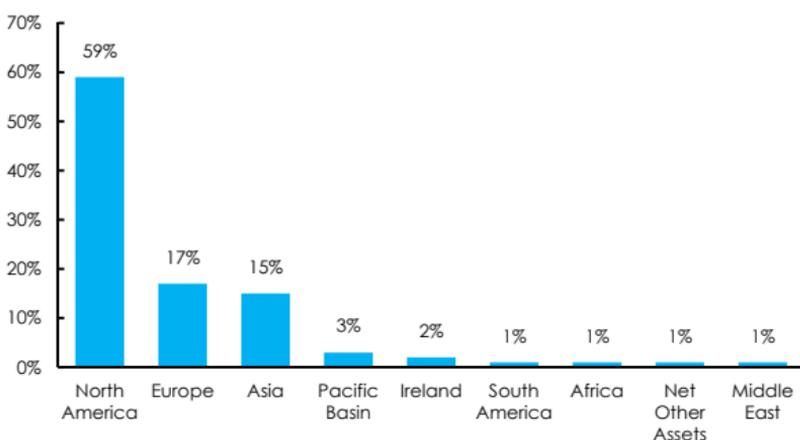
The top 10 holdings and their associated weighting at the current period end and preceding year end were:

Top 10 Holdings at 6 April 2017		Top 10 Holdings at 6 October 2016	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
Apple	2.09%	Apple	1.84%
Microsoft	1.37%	Microsoft	1.30%
Amazon.com	0.96%	Exxon Mobil	1.09%
Exxon Mobil	0.96%	Amazon.com	0.98%
Johnson & Johnson	0.95%	Johnson & Johnson	0.98%
Facebook 'A'	0.87%	Facebook 'A'	0.85%
JP Morgan Chase & Co	0.86%	General Electric	0.79%
Wells Fargo & Co	0.77%	JP Morgan Chase & Co	0.73%
General Electric	0.73%	AT&T	0.72%
Alphabet 'C'	0.71%	Alphabet 'A'	0.71%

## Trust Holdings as at 6 April 2017



## Trust Holdings as at 6 October 2016



## **Manager's Investment Report**

During the period under review, the bid price of the Trust'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 and foreign exchange rates, whereas the Trust is valued using prevailing prices at 3pm. Therefore, for tracking purposes the Trust has been revalued using closing prices and foreign exchange rates. On this basis over the review period, the Trust rose by 9.00% on a capital only basis, matching the return of the FTSE World (excluding UK) Index increase of 9.00% (Source: Bloomberg), producing a tracking difference of 0.00%.

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**The value of investments and any income from them may go down as well as up.**

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## **Market/Economic Review**

Equity markets have made significant gains over the last six months, reflecting a steady improvement in global economic indicators and growing optimism amongst investors for prospects in 2017. In the autumn, the US presidential election was the focus of attention and Donald Trump's unexpected 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 in the US has been broadly encouraging with results from leading technology stocks exceeding forecasts. In the UK, smaller companies outperformed both mid-cap stocks and globally focused large caps as indicators suggested the domestic economy has weathered the EU referendum result well. Following the US election, the Dollar rebounded sharply against the Yen, which provided a significant boost for Japan's major exporting companies. Financials rallied as concerns over the impact of the Bank of Japan's negative interest rate policy eased. In Europe, corporate results have highlighted improving earnings momentum with expectations for 2017 being revised higher. The smaller Asia Pacific and global emerging markets gained ground with commodity prices recovering strongly as Chinese economic indicators improved. However, indications that the incoming Trump administration would herald a protectionist approach to US trade policy preoccupied investors at the turn of the calendar year.

## Manager's Investment Report continued

### 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 corporate action.

The quarterly Index review in December 2016 resulted in 1 addition, BOC Aviation (Hong Kong), and 11 deletions. The largest deletion was Liberty Ventures (US). There were also changes to the free share capital of 345 constituents, the largest of which was an increase to Procter & Gamble (US), contributing to a two-way Index turnover of 0.7%.

At the March 2017 semi-annual Index review, there were 29 additions, of which the largest were IHS Markit and IDEXX Laboratories (both US). There were also 20 deletions, the largest being Alnylam Pharmaceuticals and Versum Materials (both US). In addition, 268 companies had changes to their free share capital, with the largest being decreases in Apple and Allergan (both US). Total two-way Index turnover was 1.0%.

Outside the reviews, there were several Index changes due to initial public offerings (IPOs) and demergers. Both Samsung Biologics (Korea) and Kyushu Railway (Japan) were added to the Index following IPOs which raised USD 2 billion and USD 4 billion respectively. Yum China Holdings, Lamb Weston Holdings and Adient (all US) were added to the Index after being spun-off from Yum Brands, ConAgra Brands and Johnson Controls (all US) respectively. DXC Technology (US) was added to the Index after being spun-off from Hewlett Packard (US), and then immediately acquired Computer Sciences (US) in a deal worth USD 6 billion which resulted in Computer Sciences being deleted from the Index.

Further M&A activity during the reporting period included a number of stocks being deleted from the Index; LinkedIn was acquired by Microsoft (both US) for USD 24 billion in the biggest takeover in the Technology sector in 2016; Spectra Energy (US) was bought by Enbridge (Canada) in a stock deal for USD 42 billion in the biggest deal in the pipelines industry of 2016 and St Jude Medical was acquired by Abbot Laboratories (both US) in a stock and cash deal worth USD 30 billion. Additionally, Technip (France) and FMC (US) merged to form a new addition TechnipFMC (France).

At the end of the review period, the Trust had holdings spread across 34 countries, with North America accounting for 61.0%, Europe (excluding UK) 18.9%, Japan 8.7% and the other regions accounting for 11.3%. The three largest stocks in the Index were Apple (2.1%), Microsoft (1.4%) and Alphabet (A and C shares) (1.4%).

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

### **Outlook**

As we head into 2017, we see steady global growth and reflation continuing, aided by increasingly supportive US fiscal policy. So far, risk assets have been buoyed by diminishing deflation concerns, but the perception of a 'goldilocks' economy might prove short lived. With several economies at full employment, most notably the US, the sharp move higher in headline inflation could lead to a more rapid increase in wage growth, stronger core inflation and a faster-than-expected pace of Fed hikes.

Emerging market economies appear to have adjusted to the negative terms of trade shock created by the fall in commodity prices and should perform better in 2017. The main concern remains the alarming increase in China's debt, yet there appears little appetite to slow growth to address these imbalances. Euro area growth prospects appear reasonable, and could lead to the European Central Bank (ECB) considering a taper of bond purchases later in the year.

The Trump presidency raises the spectre of increased protectionism which could further damage already weak productivity growth. There is also increased concern about the direction of US foreign policy. Across Europe, meanwhile, there are a number of important elections. So far, the anti-establishment vote has not appeared to dent confidence, but a repeat in France could expose the underlying frailties of both the Euro and the European Union.

With overstimulation and accelerating Fed hikes, markets could be well on their way to anticipating the next recession by year end. It is equally likely that the market's current focus on 'Good Trump' underprices the risk that he follows through on his anti-trade and anti-immigration campaign slogans. We would also not discount the risk of ill-advised comments causing a few geo-political risks over the course of 2017. In the US alone, there are plenty of reasons to expect anything but a boring year for equities.

The Trust remains well positioned to capture the market performance.

Legal & General Investment Management Limited

(Investment Adviser)

4 May 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 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 period, the annualised Tracking Error of the Trust is 0.01%, whilst the annualised Tracking Error of the Trust over the last three years, to the end of April 2017, is 0.02%. These Tracking Errors are within the anticipated Tracking Error levels set out in the Trust's Prospectus of +/- 0.75% 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
F-Class	£500
C-Class	£100,000,000

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 Trust 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 Trust 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 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.

**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**

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