

Legal & General Real Income Builder Fund

**Annual Manager's Report**  
**for the year ended**  
**31 December 2018**





# Contents

	<b>Page Number</b>
Manager's Investment Report*	2
Authorised Status*	5
Directors' Statement	5
Statement of the Manager's Responsibilities	6
Statement of the Trustee's Responsibilities	7
Report of the Trustee	8
Portfolio Statement*	9
Independent Auditor's Report	10
Statement of Total Return	13
Statement of Change in Net Assets attributable to Unitholders	13
Balance Sheet	14
Notes to the Financial Statements	15
Distribution Tables	26
Fund Information*	28
Risk and Reward Profile (unaudited)*	35
General Information (unaudited)*	36

\* These collectively comprise the Authorised Fund Manager's Report.

# Manager's Investment Report

## Investment Objective and Policy

The Fund's primary objective is to generate income which grows at the rate of inflation +4%, where income is measured on a per unit basis over three year rolling time periods.

The Fund has a secondary objective to achieve capital growth in line with income growth over the medium to long term.

The above objectives are before the deduction of any charges and assumes income is reinvested. There is no guarantee that any of the objectives will be met over any time period. Both capital and reinvested income are at risk.

The Fund will achieve its objectives by permanently investing not less than 85% of its assets in the L&G Real Income Builder Fund, a Sub-fund of the Legal & General Authorised Contractual Scheme (ACS). While it is envisaged that the Fund will normally be fully invested in the L&G Real Income Builder Fund, the Fund may also hold up to 15% of its assets in cash or near cash. The Fund will use derivatives for hedging purposes only.

## Manager's Investment Report

The L&G Real Income Builder Fund (the 'Master Fund'), sub-fund of the ACS is an actively managed, bottom-up outcome orientated strategy. The Fund's primary objective is to grow income per unit at UK CPI +4% p.a. measured over three year rolling time periods, assuming income is reinvested. The secondary objective is to grow capital in line with income, with total returns exceeding UK CPI +4%. Additionally, the Fund aims to have less than two-thirds of the equity market risk with a focus on capital preservation.

During the review year the Fund achieved 6.68% income growth<sup>1</sup> on the L-Class Accumulation units, once again exceeding the income growth UK CPI+4% objective that was 6.09% in 2018. Over the last three years annualised income growth has been 8.55%, exceeding the UK CPI+4% objective of 5.72%. Impacted by weak global equity markets in the fourth quarter, the bid price of the Fund's L-Class Accumulation units fell by 5.67% during the review year.

**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.**

## Market/Economic Review

Monetary policy continued to tighten globally with the Federal Reserve continuing to raise US interest rates and both the European Central Bank and the Bank of Japan slowing down their rate of quantitative easing. Announcements from President Trump continued to raise geopolitical uncertainty and US tariff announcements followed by European and Chinese retaliatory measures heightened concerns about the risk of a significant trade war. During the year, fears of a more structural economic slowdown in China have also grown. Following an initial appreciation at the start of 2018, Sterling has depreciated since the second quarter on concerns about the status of the Brexit negotiations and the strength of the UK economy.

Against this backdrop, the net total return from MSCI World Index was -8.71% in US Dollars during 2018, with strong tailwinds from global economic growth and corporate earnings growth offset by concerns about a trade war and other geopolitical risks, combined with tightening global liquidity. In Sterling terms, the MSCI World Index

<sup>1</sup> Income growth estimated from strategy level income growth data.

## Manager's Investment Report continued

net total return was down 3.31%, with the weakness in Sterling mitigating the declines in the market, and the total return for the FTSE 100 Index was -8.73%. During the first nine months of the year, the market had drifted higher given the resilient growth and corporate earnings environment with Growth stocks meaningfully outperforming Value names (MSCI World Growth Index total return 10.29% in USD for 9M 2018 versus Value equivalent 0.53%). The final quarter of the year saw an abrupt change of sentiment, with all prior gains in the year eliminated with Growth names underperforming the market (MSCI World Growth Index total return -15.44% for Q4 2018 versus Value equivalent -11.25%). At a sector level, the weak market performance favoured defensive sectors like Healthcare (MSCI World Health Care Index +3.10% in USD) and Utilities (+2.86%) over more cyclical areas of the market like Financials (-16.44%) and Materials (-16.31%), hindered by slowing growth expectations and a re-appraisal of long term yields.

In the UK bond markets, gilt yields were somewhat volatile during the year but ultimately trendless with the UK 10 year government bond yield finishing the year within a few basis points of where it started, despite two significant periods of rising yields during the year. On the other hand, Sterling credit spreads did widen through the year, matching the widening of investment grade spreads observed in other regions.

### Fund Review

Fund income growth of 6.68% was broadly in line with expected performance exceeding the fund objective to achieve UK CPI+4% equivalent to 6.09% in 2018. The adverse market environment hampered capital growth during the year, in particular in the value and high dividend companies favoured by the strategy.

The Master Fund invests predominantly in global equities with the balance invested in high quality bonds. Each security selected for the Master Fund meets a disciplined 'quality at an attractive valuation' philosophy, and contributes to the income growth and total return objectives. The investment process is research-led, based on fundamental analysis and evidence-gathering.

The largest contributor to total returns was the equity holding in Orsted (+32.7%, +103bps), the Danish owner and operator of offshore wind farms. Following fears that the curtailment of subsidies for offshore wind would prevent future growth, Orsted have demonstrated that projects can be profitable without subsidy whilst there is potential for international deployment of offshore wind technology, such as in the North East seaboard of the United States. In our view, Orsted's competitively advantaged position of owning seabed rights in key locations and extensive experience of project development will enable the business to continue to profitably deploy capital.

The biggest detractor was the equity position in BBA Aviation (-35.60%, -91bps); the shares sold off sharply in the second half of the year due to concerns over a cyclical slowdown in Business & General Aviation (B&GA) in the key US market and poor communication of an IT investment program which will weigh on profit in the short term. Whilst the B&GA market has slowed from 2% growth in movements in H1 to flatish in H2, we don't see any signs of impending collapse and believe the market has overreacted to the weakness. We think BBA Aviation has many levers to pull to improve profitability in the long term and that this is not adequately reflected in the current equity FCF yield of nearly 9%.

During the year, we have focused on re-orientating the portfolio to higher quality businesses which we view as attractively valued. As a result of this emphasis on quality at attractive valuation during the year we sold our positions in Amadeus, Coty, National Grid, Novozymes, Pandora, Philip Morris, Saga, Samsonite, TD Ameritrade

## Manager's Investment Report continued

and UPS – in each case our updated research view has either led us to question the quality of the business in light of recent industry changes or view the business as fully valued given our current understanding of the earnings potential. In re-deploying the capital, consistent with the same philosophy, we have started new positions in Analog Devices, Bunnell, Charles Schwab, Ferguson, ISS, Medtronic, Synchrony Financial and TE Connectivity.

On the bond side, we sold our positions in Airtown, Gatwick Airport, Thames Water '27s, Prologis, Westfield, Friends Provident and Compass Group and purchased a number of UK gilts and credits issued by UBS and Becton Dickinson. These transactions were triggered by relative value considerations and had the overall effect of modestly reducing the average credit spread and duration of our bond holdings.

### Outlook

As we enter 2019 the economic environment has become more uncertain; while many commentators and investors are fearful of an imminent global recession, macroeconomic data in conjunction with company commentary suggest we are seeing a slowdown to more normalised levels of growth after a period of excess growth in 2017/2018. We will continue to monitor the situation given that consumer and corporate confidence can quickly wane, and there is always a risk that recession concerns can become self-fulfilling.

We continue to be agnostic about the direction of the macro economy and the markets, focusing on the quality of the companies we invest in with our research concentrating on the predictability and sustainability of their business models and earnings. In the current market, we are seeing attractive opportunities in select good quality cyclical companies in the industrial, technology and financial sectors that sold off heavily on fears of a deteriorating environment at the tail end of 2018. In addition we are continuing to find companies in the more macro economically insensitive sectors whose quality and value are unappreciated by the market.

Within the portfolio, we continue to hold a number of positions with exposure to the UK, investors remain concerned about the range of potential outcomes from Brexit, however we seek to take a long term view about the potential of the companies we invest in, currently seeing the long term prospects of certain UK stocks and sectors as brighter than their valuation gives them credit for.

On the fixed income side, we continue to maintain short duration given the limited term premium available in the market however we are re-evaluating credit risk having seen spreads widen over the last year potentially offering more attractive opportunities in the corporate bond space.

We remain confident on the ability of the fund to deliver income growth exceeding the CPI +4% objective, supported by continued dividend increases at the companies held in the portfolio. In addition, we observe that global equity valuations have de-rated significantly over the last 12 months, which should be supportive to future real returns in the longer-term leaving the fund better positioned to deliver its total return objective.

Legal & General Investment Management Limited  
(Investment Adviser of the Legal & General Real Income Builder Fund,  
Sub-fund of the ACS)  
23 January 2019

## Authorised Status

### Authorised Status

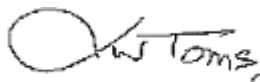
This Fund is an Authorised Unit Trust Scheme as defined in section 243 of the Financial Services and Markets Act 2000 and is a UCITS Retail Scheme within the meaning of the FCA Collective Investment Schemes sourcebook.

### Directors' Statement

We hereby certify that this Manager's Report has been prepared in accordance with the requirements of the FCA Collective Investment Schemes sourcebook.



A. J. C. Craven  
(Director)



L. W. Toms  
(Director)

Legal & General (Unit Trust Managers) Limited  
25 February 2019

# Statement of Responsibilities

## Statement of the Manager's Responsibilities

The Collective Investment Schemes sourcebook published by the FCA, ("the COLL Rules") require the Manager to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Fund and of the net income and net gains or losses on the property of the Fund for the period.

In preparing the financial statements, the Manager is responsible for:

- selecting suitable accounting policies and then apply them consistently;
- making judgements and estimates that are reasonable and prudent;
- following UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland;
- complying with the disclosure requirements of the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014;
- keeping proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements;
- assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless they either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so;
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- taking reasonable steps for the prevention and detection of fraud and irregularities.

The Manager is responsible for the management of the Fund in accordance with its Trust Deed, the Prospectus and the COLL Rules.



## Statement of Responsibilities continued

### Statement of the Trustee's Responsibilities

The Depositary in its capacity as Trustee of Legal & General Real Income Builder Fund must ensure that the Fund is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Trust Deed and Prospectus (together "the Scheme documents") as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Fund and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Fund in accordance with the Regulations.

The Depositary must ensure that:

- the Fund's cash flows are properly monitored and that cash of the Fund is booked in cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of units are carried out in accordance with the Regulations;
- the value of units of the Fund are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Fund's assets is remitted to the Fund within the usual time limits;
- the Fund's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ("the AFM"), which is the UCITS Management Company, are carried out (unless they conflict with the Regulations).

## Report of the Trustee

### **Report of the Trustee to the Unitholders of the Legal & General Real Income Builder Fund ("the Fund") for the year ended 31 December 2018**

The Depositary also has a duty to take reasonable care to ensure that the Fund is managed in accordance with the Regulations and the Scheme documents of the Fund in relation to the investment and borrowing powers applicable to the Fund.

Having carried out such procedures as we considered necessary to discharge our responsibilities as Depositary of the Fund, it is our opinion, based on the information available to us and the explanations provided, that, in all material respects the Fund, acting through the AFM:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Fund's units and the application of the Fund's income in accordance with the Regulations and the Scheme documents of the Fund; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Fund in accordance with the Regulations and the Scheme documents of the Fund.

Northern Trust Global Services SE  
UK Trustee and Depositary Services  
25 February 2019

## Portfolio Statement

### Portfolio Statement as at 31 December 2018

All investments are in collective investment schemes unless otherwise stated. The percentages in brackets show the equivalent holdings at 31 December 2017.

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
<b>COLLECTIVE INVESTMENT SCHEMES</b>			
<b>— 99.63% (99.73%)</b>			
43,687,432	Legal & General Real Income Builder Fund 'Q' Acc	49,152,729	26.39
125,028,435	Legal & General Real Income Builder Fund 'Q' Inc	136,431,029	73.24
		185,583,758	99.63
<b>Portfolio of investments</b>		185,583,758	99.63
<b>Net other assets</b>		680,559	0.37
<b>Total net assets</b>		<b>£186,264,317</b>	<b>100.00%</b>

Total purchases for the year: £5,996,869.

Total sales for the year: £450,879.

# Independent Auditor's Report

## Independent auditor's report to the Unitholders of Legal & General Real Income Builder Fund ('the Fund')

### **Opinion**

We have audited the financial statements of the Fund for the year ended 31 December 2018 which comprise the Statement of Total Return, the Statement of Changes in Net Assets Attributable to Unitholders, the Balance Sheet, the Related Notes and Distribution Tables for the Fund and the accounting policies set out on pages 15 to 16.

In our opinion, the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the financial position of the Fund as at 31 December 2018 and of the net revenue and the net capital losses on the property of the Fund for the year then ended; and
- have been properly prepared in accordance with the Trust Deed, the Statement of Recommended Practice relating to UK Authorised Funds, and the COLL Rules.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Fund in accordance with, UK ethical requirements including the FRC Ethical Standard.

We have received all the information and explanations which we consider necessary for the purposes of our audit and we believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **The impact of uncertainties due to Britain exiting the European Union on our audit**

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Fund's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Fund's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a fund and this is particularly the case in relation to Brexit.

### **Going concern**

The Manager has prepared the financial statements on the going concern basis as they do not intend to liquidate the Fund to cease their operations, and as they have concluded that the Fund's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

## **Independent Auditor's Report continued**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Manager's conclusions, we considered the inherent risks to the Fund's business model, including the impact of Brexit, and analysed how those risks might affect the Fund's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Fund will continue in operation.

### ***Other information***

The Manager (Legal & General (Unit Trust Managers) Limited) is responsible for the other information presented in the Annual Manager's Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information; and
- in our opinion the information given in Manager's Report for the financial year is consistent with the financial statements.

### ***Matters on which we are required to report by exception***

We have nothing to report in respect of the following matters where under the COLL Rules we are required to report to you if, in our opinion:

- proper accounting records for the Fund have not been kept; or
- the financial statements are not in agreement with the accounting records.

### ***Manager's responsibilities***

As explained more fully in their statement set out on page 6, the Manager is responsible for: the preparation of financial statements that give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

## **Independent Auditor's Report continued**

### ***Auditor's responsibilities***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### ***The purpose of our audit work and to whom we owe our responsibilities***

This report is made solely to the Fund's unitholders, as a body, in accordance with Rule 4.5.12 of the Collective Investment Schemes sourcebook ('the COLL Rules') issued by the Financial Conduct Authority under section 247 of the Financial Services and Markets Act 2000. Our audit work has been undertaken so that we might state to the Fund's unitholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Archer  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
15 Canada Square,  
London E14 5GL  
25 February 2019

## Financial Statements

### Statement of Total Return for the year ended 31 December 2018

Notes	31/12/18		31/12/17	
	£	£	£	£
<b>Income</b>				
Net capital (losses)/ gains	3	(16,259,699)		10,826,927
Revenue	4	5,437,769	5,273,392	
Expenses	5	(123,405)	(98,051)	
Interest payable and similar charges	7	(612)	(693)	
Net revenue before taxation		5,313,752	5,174,648	
Taxation	6	(223,515)	(161,265)	
Net revenue after taxation for the year		5,090,237	5,013,383	
Total return before distributions		(11,169,462)	15,840,310	
Distributions	7	(5,213,642)	(5,111,434)	
Change in net assets attributable to Unitholders from investment activities		<b>£(16,383,104)</b>	<b>£10,728,876</b>	

### Statement of Change in Net Assets attributable to Unitholders for the year ended 31 December 2018

	31/12/18		31/12/17	
	£	£	£	£
Opening net assets attributable to Unitholders		195,464,441		235,233,822
Amounts received on issue of units		5,960,542	135,407,069	
Amounts paid on cancellation of units		(170,797)	(132,070,160)	
Amounts paid on in-specie transactions		—	(54,997,952)	
		5,789,745	(51,661,043)	
Change in net assets attributable to Unitholders from investment activities		(16,383,104)	10,728,876	
Retained distributions on accumulation units		1,393,235	1,162,786	
Closing net assets attributable to Unitholders		<b>£186,264,317</b>	<b>£195,464,441</b>	

## Financial Statements continued

### Balance Sheet as at 31 December 2018

	Notes	31/12/18 £	31/12/17 £
<b>ASSETS</b>			
<b>Fixed assets:</b>			
Investments		185,583,758	194,929,524
<b>Current assets:</b>			
Debtors	8	2,148,457	2,122,392
Cash and bank balances	9	385,959	250,665
<b>Total assets</b>		<b>188,118,174</b>	<b>197,302,581</b>
<b>LIABILITIES</b>			
<b>Creditors:</b>			
Bank overdrafts	9	(258,780)	(197,243)
Distributions payable		(1,512,315)	(1,540,190)
Other creditors	10	(82,762)	(100,707)
<b>Total liabilities</b>		<b>(1,853,857)</b>	<b>(1,838,140)</b>
<b>Net assets attributable to Unitholders</b>		<b>£186,264,317</b>	<b>£195,464,441</b>



# Notes to the Financial Statements

## 1. Statement of Compliance

The Financial Statements have been prepared in compliance with UK Financial Reporting Standard 102 (FRS 102) and in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014 (2014 SORP).

## 2. Summary of Significant Accounting Policies

### (a) Basis of Preparation

The Financial Statements have been prepared on a going concern basis, under the historical cost convention as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss.

The principal accounting policies which have been applied consistently are set out below.

### (b) Functional and Presentation Currency

The functional and presentation currency of the Fund is Sterling.

### (c) Recognition of Revenue

Revenue from distribution and accumulation units in Collective Investment Schemes is recognised when the distribution is quoted ex-dividend.

Equalisation on distributions received from Collective Investment Schemes is treated as capital property of the Fund.

All other revenue is recognised on an accruals basis.

### (d) Treatment of Expenses

All expenses (other than those relating to the purchase and sale of investments) are charged against revenue on an accruals basis.

### (e) Distribution Policy

The policy is to distribute all available revenue, after deduction of those expenses which are chargeable in calculating the distribution. In order to conduct a controlled dividend flow, interim distributions will be at the Manager's discretion, up to a maximum of the distributable revenue for the period. All remaining revenue is distributed in accordance with the COLL.

Fund Management Fees are deducted from capital for the purpose of calculating the distribution. This increases the amount of the distribution paid, but reduces the capital growth potential of the Fund. Marginal tax relief is not accounted for in determining the distribution.

Distributions which have remained unclaimed by Unitholders for over six years are credited to the capital property of the Fund.

### (f) Basis of Valuation of Investments

All investments are valued at their fair value as at 12 noon on 31 December 2018, being the last working day of the accounting year. The fair value for units in Collective Investment Schemes is the cancellation price or bid price for dual priced funds and single price for single priced funds.

Where values cannot be readily determined, the securities are valued at the Manager's best assessment of their fair and reasonable value.

## Notes to the Financial Statements continued

### 2. Summary of Significant Accounting Policies continued

#### (g) Taxation

Provision is made for taxation at current rates on the excess of investment revenue over expenses.

Deferred tax is provided for on all timing differences that have originated but not reversed by the balance sheet date, other than those differences that are regarded as permanent. Any liability to deferred tax is provided for at the average rate of tax expected to apply.

### 3. Net capital (losses)/gains

The net capital (losses)/gains during the year comprise:

Non-derivative securities

Forward currency contracts

Currency (losses)/gains

Net capital (losses)/gains

31/12/18	31/12/17
£	£
(16,258,897)	10,827,633
—	(748)
(802)	42
<u>(16,259,699)</u>	<u>10,826,927</u>

### 4. Revenue

UK Franked distributions

Unfranked distributions

Bank interest

31/12/18	31/12/17
£	£
4,194,292	4,368,322
1,243,354	905,069
123	1
<u>5,437,769</u>	<u>5,273,392</u>

### 5. Expenses

Payable to the Manager, associates of the Manager and agents of either of them:

Fund management fees

Total expenses

31/12/18	31/12/17
£	£
123,405	98,051
<u>123,405</u>	<u>98,051</u>

Audit fees of £8,900 plus VAT of £1,780 have been borne by the Manager out of its fund management fee. In the prior year, the total audit fee was £7,610 plus VAT of £1,522.

## Notes to the Financial Statements continued

### 6. Taxation

#### (a) Analysis of taxation charge in year

	31/12/18	31/12/17
	£	£
Corporation tax	223,515	161,265
Current tax [note 6(b)]	223,515	161,265
Deferred tax [note 6(c)]	—	—
Total taxation	223,515	161,265

#### (b) Factors affecting taxation charge for the year

The current tax charge excludes capital gains and losses for the reason that Authorised Unit Trusts are not subject to Corporation Tax on these items. Current tax differs from taxation assessed on net revenue before taxation as follows:

Net revenue before taxation	5,313,752	5,174,648
Net revenue before taxation multiplied by the applicable rate of Corporation tax of 20% (2017: 20%)	1,062,750	1,034,930
<b>Effects of:</b>		
Revenue not subject to taxation	(839,235)	(873,665)
Current tax	223,515	161,265

#### (c) Provision for deferred tax

There is no deferred tax provision in the current or preceding year.

## Notes to the Financial Statements continued

### 7. Distributions

The distributions take account of revenue received on the creation of units and revenue deducted on the cancellation of units and comprise:

	31/12/18	31/12/17
	£	£
Interim distribution	3,149,128	2,730,178
Final distribution	2,068,694	2,034,715
	<u>5,217,822</u>	<u>4,764,893</u>
Add: Revenue deducted on cancellation of units	971	810,385
Add: Revenue deducted on in-specie transactions	—	368,956
Less: Revenue received on creation of units	(5,151)	(832,800)
<b>Distributions for the year</b>	<b>5,213,642</b>	<b>5,111,434</b>
<b>Interest payable and similar charges</b>		
Bank overdraft interest	612	693
	<u>5,214,254</u>	<u>5,112,127</u>

The differences between the net revenue after taxation and the distributions for the year are as follows:

	31/12/18	31/12/17
	£	£
Net revenue after taxation for the year	5,090,237	5,013,383
Add: Expenses charged to capital	123,405	98,051
<b>Distributions for the year</b>	<b>5,213,642</b>	<b>5,111,434</b>

### 8. Debtors

	31/12/18	31/12/17
	£	£
Accrued revenue	2,148,457	2,073,266
Overseas tax recoverable	—	49,126
	<u>2,148,457</u>	<u>2,122,392</u>

## Notes to the Financial Statements continued

### 9. Net uninvested cash

	31/12/18	31/12/17
	£	£
Cash and bank balances	385,959	250,665
Bank overdrafts	(258,780)	(197,243)
Net uninvested cash	<u>127,179</u>	<u>53,422</u>

### 10. Other creditors

	31/12/18	31/12/17
	£	£
Accrued expenses	10,011	10,342
Corporation tax payable	<u>72,751</u>	<u>90,365</u>
	<u>82,762</u>	<u>100,707</u>

### 11. Contingent liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (31 December 2017: same).

## Notes to the Financial Statements continued

### 12. Financial Instruments and Associated Risks

The investments of a Fund in financial securities and derivatives are subject to normal market fluctuations and other risks inherent in investing in such instruments. Legal & General (Unit Trust Managers) Limited (UTM) is the Authorised Fund Manager and has responsibility for ensuring appropriate risk management processes are implemented for each Unit Trust.

The UTM Board has delegated the risk oversight function to the Fund Manager Oversight Committee (FMOC), a committee of the Legal & General Investment Management (Holdings) Limited (LGIMH) Board that meets monthly. The primary objective of the FMOC is to ensure proper oversight of the investment management activities and associated services performed by LGIM, its delegates and other Fund Managers, under the Investment Management Agreement (IMA), on behalf of UTM in its capacity as Authorised Fund Manager. The committee consists of senior members of LGIMH and members of the UTM Board. Other senior staff members are also in attendance, as required by the agenda.

Each Fund has Investment Guidelines, an Investment Objective and Investment Restrictions, against which the fund manager will operate. These are set out in Schedule 1 of the IMA between LGIM and UTM. The Schedule is maintained by each fund manager, reviewed by the LGIM Operational Risk and Compliance Teams and approved senior members of LGIMH on behalf of the UTM board. The Schedule provides the detail needed to determine the risk profile for each fund. Fund managers are not permitted to invest into any new instruments without first gaining approval from UTM.

The Investment Objective and Policy of this Fund is detailed on page 2.

#### **(a) Market Risk arising from other price 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.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar instruments traded in the market.

The assets held by the Fund can be seen in the Portfolio Statement on page 9. Movements in the prices of these investments result in movements in the performance of the Fund. The Manager adheres to the investment guidelines established in the Trust Deed, the Prospectus, the COLL and the Fund's IOG, and in this way, monitors and controls the exposure to risk from any type of security, sector or issuer.

At 31 December 2018, if the price of the investments held by the Fund increased or decreased by 5%, with all other variables remaining constant, then the net assets attributable to unitholders would increase or decrease by approximately £9,279,188 (31 December 2017: £9,746,476).

## Notes to the Financial Statements continued

### 12. Financial Instruments and Associated Risks continued

#### (b) Interest Rate Risk

Interest Rate Risk is the risk of movements in the value of financial instruments as a result of fluctuations in interest rates.

The Fund is exposed to interest rate risk through its holding in the L&G Real Income Builder Fund (the 'Master Fund'), a Sub-fund of the L&G Authorised Contractual Scheme that invests in interest bearing debt securities and any debt securities directly held by the Fund. The market value of debt securities and any floating rate payments from debt securities held (and interest rate swaps) may fluctuate as a result of changes in interest rates. This risk is managed by the Fund, and the underlying Master Fund, by the active monitoring and adjustment of the investments held by the Funds, in line with the stated investment objective and policy of the Funds.

As at the 31 December 2018, the Fund held £185,583,758 (99.63% of the net asset value of the Fund) in the underlying Master Fund.

#### (c) Foreign Currency Risk

Foreign Currency Risk is the risk of movements in the value of financial instruments as a result of fluctuations in exchange rates. This risk may be managed by the use of forward currency contracts or currency futures as necessary.

At the year end the Fund had no significant exposures to currencies other than Sterling (31 December 2017: same).

As this Fund invests in other collective investment schemes that hold investment instruments in overseas financial securities, there is currency risk in respect of the financial instruments held by those schemes.

Forward currency contracts were not utilised during the current year but were the preceding year.

#### (d) Credit Risk

Credit Risk is the risk of suffering financial loss as a result of a counterparty to a financial transaction being unable to fulfil their financial obligations as they fall due.

As this Fund invests in Collective Investment Schemes, there is credit risk in respect of the assets held by these Schemes.

This risk is managed by appraising the credit profile of financial instruments and issuers in line with the Fund's investment objective and policy.

#### (e) Liquidity Risk

Liquidity Risk relates to the capacity to meet liabilities as they fall due. The primary source of this risk to the Fund is the liability to Unitholders for any cancellation of units.

This risk is minimised by holding a large proportion of readily realisable assets, cash balances and via access to overdraft facilities.

## Notes to the Financial Statements continued

### 12. Financial Instruments and Associated Risks continued

#### (f) Fair Value

The fair value of a financial instrument is the amount for which it could be exchanged between knowledgeable, willing parties in an arm's length transaction.

There is no material difference between the value of the financial assets and liabilities, as shown in the financial statements, and their fair value.

The Statement of Recommended Practice for Financial Statements of UK Authorised Funds issued by the Investment Management Association in May 2014 requires the classification of the Fund's financial instruments held at the year end into a 3 tiered fair value hierarchy. The 3 tiers of the hierarchy and the classification of the Fund's financial instruments as at the balance sheet date were:

<b>31/12/18</b>	<b>Assets</b>	<b>Liabilities</b>
<b>Basis of Valuation</b>	<b>£</b>	<b>£</b>
Level 1 - Quoted Prices	—	—
Level 2 - Observable Market Data	185,583,758	—
Level 3 - Unobservable Data	—	—
<b>Total</b>	<b>185,583,758</b>	<b>—</b>

<b>31/12/17</b>	<b>Assets</b>	<b>Liabilities</b>
<b>Basis of Valuation</b>	<b>£</b>	<b>£</b>
Level 1 - Quoted Prices	—	—
Level 2 - Observable Market Data	194,929,524	—
Level 3 - Unobservable Data	—	—
<b>Total</b>	<b>194,929,524</b>	<b>—</b>

#### Level 1

The unadjusted quoted price in an active market for assets or liabilities that the entity can access at the measurement date.

#### Level 2

Valuation techniques using observable inputs other than quoted prices within Level 1.

#### Level 3

Valuation techniques using unobservable inputs.



## Notes to the Financial Statements continued

### 13. Portfolio transaction costs

31/12/18	Value	Commissions		Taxes		Total
Purchases	£'000	£'000	%	£'000	%	£'000
Collective Investment Schemes	5,985	—	—	12	0.20	5,997
Total	5,985	—	—	12	0.20	5,997

31/12/18	Value	Commissions		Taxes		Total
Sales	£'000	£'000	%	£'000	%	£'000
Collective Investment Schemes	451	—	—	—	—	451
Total	451	—	—	—	—	451

Commissions and taxes as % of average net assets

Commissions 0.00%

Taxes 0.01%

31/12/17	Value	Commissions		Taxes		Total
Purchases	£'000	£'000	%	£'000	%	£'000
Collective Investment Schemes	135,914	—	—	22	0.02	135,936
Total	135,914	—	—	22	0.02	135,936

31/12/17	Value	Commissions		Taxes		Total
Sales	£'000	£'000	%	£'000	%	£'000
Equities	—	—	—	—	—	—
Collective Investment Schemes	189,082	—	—	(5)	—	189,077
Total	189,082	—	—	(5)	—	189,077

Commissions and taxes as % of average net assets

Commissions 0.00%

Taxes 0.01%

Transaction costs consist of expenses incurred in the process of the purchase and sales of securities above the cost of the securities.

The average portfolio dealing spread, including the effect of foreign exchange, as at the balance sheet date was 0.00% (31 December 2017: 0.00%).

## Notes to the Financial Statements continued

### 14. Unit classes

A list of unit classes in issue and the fund management fee on each unit class can be found on page 36. The net asset value per unit of each unit class and the number of units in each class are given in the comparative tables on pages 29 to 34. The distributions per unit class are given in the distribution tables on pages 26 and 27. All classes have the same rights on winding up.

<b>I-Class</b>	<b>Distribution</b>	<b>Accumulation</b>
Opening Units	13,993,892	669,733
Units issued	547,895	124,546
Units cancelled	(188,749)	(110,683)
Units converted	—	—
Closing Units	14,353,038	683,596

<b>C-Class</b>	<b>Distribution</b>	<b>Accumulation</b>
Opening Units	—	—
Units issued	2,000	2,000
Units cancelled	—	—
Units converted	—	—
Closing Units	2,000	2,000

<b>L-Class</b>	<b>Distribution</b>	<b>Accumulation</b>
Opening Units	251,019,909	79,436,245
Units issued	—	9,424,542
Units cancelled	—	(1,704)
Units converted	—	—
Closing Units	251,019,909	88,859,083

### 15. Ultimate controlling party and related party transactions

The Manager is regarded as a related party to the Fund because it provides key management personnel services to the Fund. The ultimate controlling party of the Manager is Legal & General Group Plc. Subsidiaries of Legal & General Group Plc are also considered related parties to the Fund.

Legal & General (Unit Trust Managers) Limited acts as the principal on all the transactions of the units in the Fund. The aggregated monies received through creations or paid on cancellations are disclosed in the statement of change in net assets attributable to unitholders.

Equalisation amounts relating to creations and cancellations of units are shown within note 7. Fees received by the Authorised Fund Manager from the Fund plus any rebates paid by the Authorised Fund Manager to the Fund are shown within notes 3, 4 and 5 as applicable. Any outstanding fees, amounts outstanding on creations or cancellations of units in the Fund, or rebates receivable by the Fund from the Manager are shown within notes 8 and 10 as applicable.

At the year end, the Manager and its associates held 95.76% (95.69% as at 31 December 2017) of the Fund's units in issue.

## Notes to the Financial Statements continued

### 16. Post balance sheet market movements

As at the close of business on the balance sheet date the Net Asset Value per L-Class accumulation unit was 56.40p. The Net Asset Value per L-Class accumulation unit for the Fund as at 12 noon on 18 February 2019 was 60.30p. This represents an increase of 6.91% from the year end value.

## Distribution Tables

### Distribution Tables for the year ended 31 December 2018

Group 1: units purchased prior to a distribution period.

Group 2: units purchased during a distribution period.

Equalisation is the average amount of revenue included in the purchase price of all Group 2 units and is refunded to the holders of these units as a return of capital. As capital it is not liable to Income Tax but must be deducted from the cost of units for Capital Gains Tax purposes.

Interim dividend distribution in pence per unit			Period	
			01/01/18 to	30/06/18
<b>I-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Distribution Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>31/08/18</b>	<b>31/08/17</b>
Group 1	0.8958	—	0.8958	0.8609
Group 2	0.7008	0.1950	0.8958	0.8609
<b>I-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Accumulation Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>31/08/18</b>	<b>31/08/17</b>
Group 1	0.9440	—	0.9440	0.8850
Group 2	0.7359	0.2081	0.9440	0.8850
<b>C-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Distribution Units<sup>1</sup></b>	<b>Revenue</b>	<b>Equalisation</b>	<b>31/08/18</b>	<b>N/A</b>
Group 1	0.6860	—	0.6860	—
Group 2	—	0.6860	0.6860	—
<b>C-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Accumulation Units<sup>1</sup></b>	<b>Revenue</b>	<b>Equalisation</b>	<b>31/08/18</b>	<b>N/A</b>
Group 1	0.6865	—	0.6865	—
Group 2	—	0.6865	0.6865	—
<b>L-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Distribution Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>31/08/18</b>	<b>31/08/17</b>
Group 1	0.8694	—	0.8694	0.8208
Group 2	—	0.8694	0.8694	0.8208
<b>L-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Accumulation Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>31/08/18</b>	<b>31/08/17</b>
Group 1	0.9344	—	0.9344	0.8621
Group 2	0.8941	0.0403	0.9344	0.8621

<sup>1</sup> C-Class units launched on 28 February 2018.

In the above table, a distribution pay rate of N/A denotes that the Classes were not in existence as at the applicable XD date, and therefore no distribution payment was made.

## Distribution Tables continued

Final dividend distribution in pence per unit			Period	
			01/07/18	to 31/12/18
<b>I-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Distribution Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>28/02/19</b>	<b>28/02/18</b>
Group 1	0.5860	—	0.5860	0.5991
Group 2	0.0950	0.4910	0.5860	0.5991
<b>I-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Accumulation Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>28/02/19</b>	<b>28/02/18</b>
Group 1	0.6275	—	0.6275	0.6248
Group 2	0.1326	0.4949	0.6275	0.6248
<b>C-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Distribution Units<sup>1</sup></b>	<b>Revenue</b>	<b>Equalisation</b>	<b>28/02/19</b>	<b>N/A</b>
Group 1	0.5240	—	0.5240	—
Group 2	—	0.5240	0.5240	—
<b>C-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Accumulation Units<sup>1</sup></b>	<b>Revenue</b>	<b>Equalisation</b>	<b>28/02/19</b>	<b>N/A</b>
Group 1	0.5310	—	0.5310	—
Group 2	—	0.5310	0.5310	—
<b>I-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Distribution Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>28/02/19</b>	<b>28/02/18</b>
Group 1	0.5689	—	0.5689	0.5801
Group 2	—	0.5689	0.5689	0.5801
<b>I-Class</b>			<b>Distribution</b>	<b>Distribution</b>
<b>Accumulation Units</b>	<b>Revenue</b>	<b>Equalisation</b>	<b>28/02/19</b>	<b>28/02/18</b>
Group 1	0.6212	—	0.6212	0.6172
Group 2	—	0.6212	0.6212	0.6172

<sup>1</sup> C-Class units launched on 28 February 2018.

In the above table, a distribution pay rate of N/A denotes that the Classes were not in existence as at the applicable XD date, and therefore no distribution payment was made.

## Fund Information

The Comparative Tables on pages 29 to 34 give the performance of each active share class in the Fund.

The 'Return after charges' disclosed in the Comparative Tables is calculated as the return after operating charges per unit divided by the opening net asset value per unit. It differs from the Fund's performance disclosed in the Manager's report, which is calculated based on the latest published price.

Portfolio transaction costs are incurred when investments are bought or sold by a fund in order to achieve the investment objective. These transaction costs affect an investor in different ways depending on whether they are joining, leaving or continuing with their investment in the Fund.

Direct transaction costs include broker commission and taxes. Broker commission includes the fee paid to a broker to execute the trades and research costs.

In addition, there are indirect portfolio transaction costs arising from the 'dealing spread' – the difference between the buying and selling prices of underlying investments in the portfolio. Unlike shares whereby broker commissions and stamp duty are paid by a fund on each transaction, other types of investments (such as bonds, money instruments, derivatives, collective investment schemes) do not have separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and money market sentiment.

## Fund Information continued

### Comparative Tables

#### I-Class Distribution Units

##### Change in Net Asset Value per Unit

Accounting Year ending	31/12/18 (pence per unit)	31/12/17 (pence per unit)	31/12/16 (pence per unit)
Opening net asset value per unit	57.35	54.65	51.15
Return before operating charges*	(3.13)	4.53	5.21
Operating charges (calculated on average price)	(0.31)	(0.37)	(0.33)
Return after operating charges*	(3.44)	4.16	4.88
Distributions on income units	(1.48)	(1.46)	(1.38)
Closing net asset value per unit	52.43	57.35	54.65
* after direct transaction costs of:	—	0.01	0.01

#### Performance

Return after charges	(6.00)%	7.61%	9.54%
----------------------	---------	-------	-------

#### Other Information

Closing net asset value (£)	7,524,882	8,025,341	90,024
Closing number of units	14,353,038	13,993,892	164,731
Operating charges <sup>††</sup>	0.55%	0.65%	0.62%
Direct transaction costs	0.01%	0.01%	0.01%

#### Prices

Highest unit price	58.86p	58.67p	55.79p
Lowest unit price	52.72p	54.41p	48.16p

<sup>†</sup> Operating charges, otherwise known as the OCF is the ratio of the Fund's total disclosable 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. Included within the OCF are synthetic costs which include the OCF of the underlying funds weighted on the basis of their investment proportion.

**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.**

## Fund Information continued

### Comparative Tables continued

#### I-Class Accumulation Units

##### Change in Net Asset Value per Unit

Accounting Year ending	31/12/18 (pence per unit)	31/12/17 (pence per unit)	31/12/16 (pence per unit)
Opening net asset value per unit	60.43	56.13	51.20
Return before operating charges*	(3.36)	4.68	5.26
Operating charges (calculated on average price)	(0.33)	(0.38)	(0.33)
Return after operating charges*	(3.69)	4.30	4.93
Distributions	(1.57)	(1.51)	(1.41)
Retained distributions on accumulation units	1.57	1.51	1.41
Closing net asset value per unit	56.74	60.43	56.13
* after direct transaction costs of:	—	0.01	0.01

#### Performance

Return after charges	(6.11)%	7.66%	9.63%
----------------------	---------	-------	-------

#### Other Information

Closing net asset value (£)	387,854	404,742	738,754
Closing number of units	683,596	669,733	1,316,121
Operating charges <sup>††</sup>	0.55%	0.65%	0.62%
Direct transaction costs	0.01%	0.01%	0.01%

#### Prices

Highest unit price	63.01p	60.66p	56.76p
Lowest unit price	56.44p	55.89p	48.18p

<sup>†</sup> Operating charges, otherwise known as the OCF is the ratio of the Fund's total disclosable 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. Included within the OCF are synthetic costs which include the OCF of the underlying funds weighted on the basis of their investment proportion.

**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.**



## Fund Information continued

### Comparative Tables continued

#### C-Class Distribution Units

##### Change in Net Asset Value per Unit

Accounting Year ending	28/02/18 to 31/12/18 <sup>1</sup> (pence per unit)
Opening net asset value per unit	50.00
Return before operating charges*	(1.78)
Operating charges (calculated on average price)	(0.21)
Return after operating charges*	(1.99)
Distributions on income units	(1.21)
Closing net asset value per unit	46.80
* after direct transaction costs of:	—

#### Performance

Return after charges	(3.98)%
----------------------	---------

#### Other Information

Closing net asset value (£)	936
Closing number of units	2,000
Operating charges <sup>††</sup>	0.50%
Direct transaction costs	0.01%

#### Prices

Highest unit price	52.57p
Lowest unit price	47.10p

<sup>1</sup> C-Class units launched on 28 February 2018.

<sup>†</sup> Operating charges, otherwise known as the OCF is the ratio of the Fund's total disclosable 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. Included within the OCF are synthetic costs which include the OCF of the underlying Master Fund, weighted on the basis of their investment proportion.

**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.**

## Fund Information continued

### Comparative Tables continued

#### C-Class Accumulation Units

##### Change in Net Asset Value per Unit

Accounting Year ending	28/02/18 to 31/12/18 <sup>1</sup> (pence per unit)
Opening net asset value per unit	50.00
Return before operating charges*	(1.79)
Operating charges (calculated on average price)	(0.21)
Return after operating charges*	(2.00)
Distributions	(1.22)
Retained distributions on accumulation units	1.22
Closing net asset value per unit	48.00
* after direct transaction costs of:	—

#### Performance

Return after charges	(4.00)%
----------------------	---------

#### Other Information

Closing net asset value (£)	960
Closing number of units	2,000
Operating charges <sup>††</sup>	0.50%
Direct transaction costs	0.01%

#### Prices

Highest unit price	53.28p
Lowest unit price	47.73p

<sup>1</sup> C-Class units launched on 28 February 2018.

<sup>†</sup> Operating charges, otherwise known as the OCF is the ratio of the Fund's total disclosable 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. Included within the OCF are synthetic costs which include the OCF of the underlying Master Fund, weighted on the basis of their investment proportion.

**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.**

## Fund Information continued

### Comparative Tables continued

#### L-Class Distribution Units

#### Change in Net Asset Value per Unit

Accounting Year ending	31/12/18 (pence per unit)	31/12/17 (pence per unit)	31/12/16 (pence per unit)
Opening net asset value per unit	55.60	52.70	49.13
Return before operating charges*	(3.05)	4.38	4.98
Operating charges (calculated on average price)	(0.02)	(0.08)	(0.06)
Return after operating charges*	(3.07)	4.30	4.92
Distributions on income units	(1.44)	(1.40)	(1.35)
Closing net asset value per unit	51.09	55.60	52.70
* after direct transaction costs of:	—	0.01	0.01

#### Performance

Return after charges	(5.52)%	8.16%	10.01%
----------------------	---------	-------	--------

#### Other Information

Closing net asset value (£)	128,236,649	139,556,832	10,540,148
Closing number of units	251,019,909	251,019,909	20,002,000
Operating charges <sup>††</sup>	0.04%	0.14%	0.11%
Direct transaction costs	0.01%	0.01%	0.01%

#### Prices

Highest unit price	57.25p	56.71p	53.74p
Lowest unit price	51.34p	52.51p	46.25p

<sup>†</sup> Operating charges, otherwise known as the OCF is the ratio of the Fund's total disclosable 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. Included within the OCF are synthetic costs which include the OCF of the underlying funds weighted on the basis of their investment proportion.

**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.**

## Fund Information continued

### Comparative Tables continued

#### L-Class Accumulation Units

##### Change in Net Asset Value per Unit

Accounting Year ending	31/12/18 (pence per unit)	31/12/17 (pence per unit)	31/12/16 (pence per unit)
Opening net asset value per unit	59.77	55.23	50.13
Return before operating charges*	(3.35)	4.62	5.16
Operating charges (calculated on average price)	(0.02)	(0.08)	(0.06)
Return after operating charges*	(3.37)	4.54	5.10
Distributions	(1.56)	(1.48)	(1.39)
Retained distributions on accumulation units	1.56	1.48	1.39
Closing net asset value per unit	56.40	59.77	55.23
* after direct transaction costs of:	—	0.01	0.01

#### Performance

Return after charges	(5.64)%	8.22%	10.17%
----------------------	---------	-------	--------

#### Other Information

Closing net asset value (£)	50,113,036	47,477,526	223,864,896
Closing number of units	88,859,083	79,436,245	405,332,786
Operating charges <sup>††</sup>	0.04%	0.14%	0.11%
Direct transaction costs	0.01%	0.01%	0.01%

#### Prices

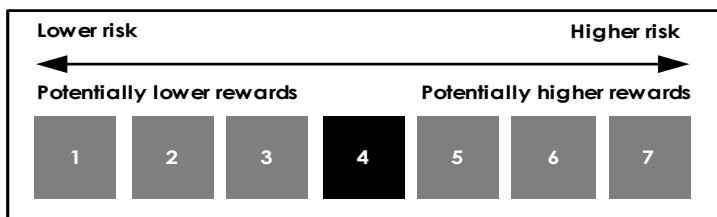
Highest unit price	62.52p	59.95p	55.80p
Lowest unit price	56.07p	55.04p	47.21p

<sup>†</sup> Operating charges, otherwise known as the OCF is the ratio of the Fund's total disclosable 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. Included within the OCF are synthetic costs which include the OCF of the underlying funds weighted on the basis of their investment proportion.

**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.**

## Risk and Reward Profile (unaudited)



- This risk and reward indicator 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 number highlighted above reflects the rate at which the Fund's unit price has moved up and down in the past. If the Fund has less than five years' track record, the number also reflects the rate at which a representative mix of the underlying investments 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 Fund is in category four because the mix of different asset types in which the Fund invests has a balancing effect on the rate at which the Fund share price moves up and down. This type of fund is generally considered to be higher risk than one investing only in bonds and lower risk than one investing only in company shares.
- 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.

## General Information (unaudited)

### Constitution

Launch date:	12 March 2015
Period end dates for distributions:	30 June, 31 December
Distribution dates:	28 February, 31 August
Minimum initial lump sum investment:	I-Class     £100,000,000 C-Class*    £20,000,000 L-Class**   £100,000
Valuation point:	12 noon
Fund management fees:	I-Class     Annual 0.55% C-Class*    Annual 0.50% L-Class**   Annual 0.04%
Initial charge:	Nil for all existing unit classes

\* 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.

\*\* L-Class is only available to Legal & General group clients.

### Pricing and Dealing

The I-Class and C-Class prices are published on the internet at <https://fundcentres.lgim.com/uk/ad/fund-centre/Unit-Trust/Real-Income-Builder-Fund#Prices> immediately after they become available.

Dealing in units takes place on a forward pricing basis, from 9am to 5pm, Monday to Friday.

### Buying and Selling Units

Units may be bought on any business day from the Manager or through a financial adviser by completing an application form. Units may normally be sold back to the Manager on any business day at the bid price calculated at the following valuation point.

### Prospectus and Manager's Reports

The Manager will send to all persons on the Unitholder Register annual and interim short form reports.

Copies of the Prospectus and the most recent annual or interim reports are available free of charge by telephoning 0370 050 0955 or by writing to the Manager.

Do you have difficulty in reading information in print because of a disability? If so, we can help. We are able to produce information for our clients in large print and braille.

If you would like to discuss your particular requirements, please contact us on 0370 050 0955.

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

## General Information (unaudited) continued

### Dual Pricing Arrangement

The Manager's fixed dual pricing arrangement has a set spread to account for the costs of transacting in a particular Fund. Where the Manager operates a box through which unit subscriptions and unit redemptions are netted into a single trade instruction to the Trustee, the netting reduces the actual transaction costs and this generates a revenue to the Manager. The revenue generated from this activity is calculated on a monthly basis and returned to the Fund in the form of a payment from the Manager. This provides an enhanced return to the Fund, though the size of any return will be dependent on the size of subscriptions and redemptions.

### Remuneration Disclosure

In accordance with the Undertakings for collective investment in transferable securities (UCITS) Directive, often referred to as the UCITs V Directive, the Legal & General Real Income Builder Fund, as a UCITs Scheme, is required to disclose the aggregate remuneration paid by the UCITs Manager and by the UCITs Scheme to Identified Staff, together with the number of beneficiaries, and, where relevant, performance fees paid by the UCITs Scheme. The aggregate amount of remuneration must be broken down by category of employees or other staff members and be split into fixed and variable remuneration.

The following provides information on the remuneration of persons whose professional activities have a material impact on the management company and the funds managed by it as at 31 December 2017. At the time of publishing, figures as at 31 December 2018 were not yet available. We shall publish this data in the Scheme's interim report, due to be published in August 2019.

### Controlled Functions

Headcount	Fixed Remuneration (£,000)	Variable Remuneration (£,000)	Remuneration related to this Fund (Pro-rated) (£'000)
32	6,726	11,997	79

### Material Risk Takers

Headcount	Fixed Remuneration (£,000)	Variable Remuneration (£,000)	Remuneration related to this Fund (Pro-rated) (£'000)
17	2,188	3,163	151

### Controlled Functions

As at 31 December 2017, Legal & General Unit Trust Managers Limited (UTM) engaged the services of six employees of Legal & General Investment Management (Holdings) Limited (LGIMH), plus a further two employees of Legal & General Resources (LGR) to act as Directors. In addition, there was one non-executive Director. UTM also engaged the services of a further twenty LGIMH employees and a further three L&G Resources (LGR) employees to act in a variety of Controlled Functions, including Chief Compliance Officer, Money Laundering Reporting Officer, Client Asset Oversight, Systems and Controls Functions, Significant Management Functions and Customer Functions. These employees were also engaged by other companies in the L&G Group. The aggregate remuneration received by these individuals, for all their services across the L&G Group, is disclosed in the table above. We have prorated the remuneration figures by the Net Asset Value of the UCITS Funds as a percentage of the total assets under management of UTM.

## General Information (unaudited) continued

### Material Risk Takers

As at the 31 December 2017, UTM engaged the services of Legal & General Investment Management's Equities Fund Management team, which consists of 17 investment professionals located in our London Office. The team includes a variety of Fund Managers, Analysts and Support Staff, with the Fund Managers empowered to take discretionary investment management decisions on behalf of the Fund. The team is also engaged in managing other Legal & General UTM Funds/Schemes and is also engaged by other companies in the L&G Group. The aggregate remuneration received by the members of the team, for all their services across the L&G Group, is disclosed in the table above. We have prorated the remuneration figures by the Net Asset Value of the UCITS Funds as a percentage of the total assets under management of the Legal & General Investment Management's Equities Fund Management team.

### Significant Changes

#### New Unit Class: C-Class

With effect from 28 February 2018, C-Class units were launched within the Fund with accumulation and distribution units available.

#### Change of Auditor

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



## General Information (unaudited) continued

### 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

### Directors of the Manager

R. M. Bartley (resigned 31 December 2018)  
A. J. C. Craven  
S. Hynes  
H. Morrissey  
H. Solomon  
S. D. Thomas (resigned 17 October 2018)  
L. W. Toms  
A. R. Toutouchi\*  
M. J. Zinkula

\*Non-executive Director

### Secretary

J. McCarthy

### Registrar

Legal & General (Unit Trust Managers) Limited  
P.O. Box 6080,  
Wolverhampton WV1 9RB  
Authorised and regulated by the Financial Conduct Authority

Dealing: 0370 050 0956

Enquiries: 0370 050 0955

Registration: 0370 050 0955

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

### Trustee

Northern Trust Global Services SE  
Trustee and Depositary Services  
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

### Investment Adviser

Legal & General Investment Management Limited  
One Coleman Street,  
London EC2R 5AA  
Authorised and regulated by the Financial Conduct Authority





**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)

