

L&G Multi-Index 5 | Acc

May 2023
Investment Research



Overview

The fund aims to provide capital accumulation from a combination of income and growth over the longer term whilst seeking to maintain a level of risk consistent with DP risk profile 5. This equates to a risk level which is broadly around 45% to 75% of global equities.

Capital Accumulation	Capital Preservation	Income	Inflation Protection
●			

Square Mile Expected Outcome

We believe a reasonable expectation for the fund is to achieve capital growth whilst providing an annualised level of volatility, over five years, of between 45% to 75% of global equity volatility.

Launch Date: 21/08/2013	Distribution Pay Date: Feb 16 (Final), Aug 16
Yield: 2.00%	Ongoing Charge Figure: 0.31%
Transaction Cost ex Ante: 0.03%	Fund Manager: Andrzej Pioch, Francis Chua, Justin Onuekwusi
Investment Style: Tactical - Passive	Domicile: United Kingdom
Risk Targeted Multi Asset Solutions Sector: UK RTMA Risk 4 - Balanced	Fund Size (as at 30 Apr 2023): £2244.2m
Risk Based Approach: Risk Targeted/Risk Profiled	



Fund Opinion

L&G has created a range of low-cost risk-targeted funds that we think plays to a number of the businesses key strengths. The group has a proven track record in building and managing risk aware multi-asset strategies, as can be illustrated by the success of its long-running With Profits fund. Additionally, L&G is a market leader within index fund management and one of the largest providers in the UK. Their range of index funds is broad and this permits the managers to build portfolios that are well-diversified across asset classes and regions.

The resources at L&G are deep and strong across asset allocation, fund management and risk management. We think this gives them a good platform from which to build multi-asset solutions. The lead manager of the fund Andrzej Pioch is experienced in managing risk-targeted and multi-asset products and has been involved in managing the fund since 2015. He is well-supported by the asset allocation team which has grown over recent years to meet the growth in assets they are responsible for as well as the wide opportunity set now available to multi-asset investors.

We believe L&G has the capability within the business to provide high-quality risk-targeted investment solutions. The Multi Index funds offer investors access to five portfolios that are low cost and actively managed and which are well-diversified by asset class. The overall cost of the funds makes them a particularly compelling proposition for investors that wish to have a greater control over the level of risk they are prepared to accept to meet their financial goals. Investors should remember that as the funds predominantly use passive strategies as building blocks, the returns of these strategies will be limited to the returns of the index they are tracking.

Fund Description

The lead manager for the fund is Andrzej Pioch. His focus is the management and development of retail and institutional multi-asset funds, including the Multi Index range. Prior to joining LGIM in 2014, he spent 5 years at Aviva Investors in their multi-asset team. He is supported directly on these funds by co-manager Francis Chua who has been with the team since 2016. Head of the Multi Asset Funds team John Roe provides a sounding board for ideas, discussion, and oversight. This is in addition to inputs from the wider well-resourced Asset Allocation team.

The L&G Multi Index fund range has been specifically created to meet the needs of clients wanting more control over the risk profile of their investments. The philosophy which underlies the range, is that consistency of performance can be achieved through an approach which blends team based decision making, cross discipline expertise and research based evidence. The team also believe that in order to maximise risk adjusted returns it is important to have a long term time horizon.

The fund is one of five low cost, multi asset, fettered fund of funds, that have been designed to map specifically to a Dynamic Planner (DP) risk profile. DP is a provider of financial planning technology and has created a set of risk profiles, ranging from 1 (lowest) to 10 (highest), that cater to a variety of client attitudes to risk. This fund maps specifically to risk profile 5 and is designed to be the middle risk fund within the Multi Index range. DP also publish a set of model asset allocations that accompany the risk profiles however L&G believe that they can build more efficient portfolios, that provide a greater level of return for the stated level of risk, and so build their own. The multi asset funds team work in conjunction with other teams from within the wider group to build the funds long term asset allocation which is used as the starting point for portfolio construction. This asset allocation is reviewed at least annually and the time horizon over which LGIM makes its longer term forecasts is 10 years or greater. The portfolios are built with a good appreciation of the risk of capital loss and an awareness that markets do not always behave as the models predict.

Adjustments to the long term allocation are made on a shorter term basis (1-5 years) and are described as their 'dynamic asset allocation'. The Asset Allocation team are directly responsible for formulating the ideas which drive changes and the research behind this is broadly categorised into three areas; fundamental returns - what is the current market fair value; macro themes - what trends and themes are having the greatest influence on markets; tail risk events - unlikely events that may have a great impact on the performance of markets. The manager is then responsible for reflecting these views in the portfolio and weighting them according to conviction.

The fund operates as a fettered fund of funds and will principally invest into L&G group funds. It predominantly invests in index tracking funds. L&G take a common sense approach to index fund management described as 'pragmatic replication' and whilst they aim to hold every stock in an index this is not done at any cost. Actively managed funds from the group may also be held and this is most likely to be across property and fixed income asset classes.

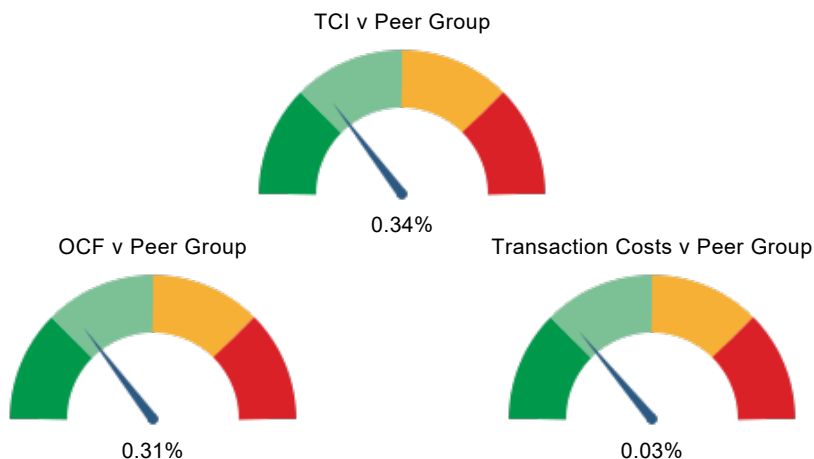
Risk Summary

The fund targets a defined level of risk on a forward looking basis however over the short term, and on a realised basis, risk may fall outside of the range.

The fund will invest predominantly in passive investments and it is unlikely that any significant additional return above that of the index will be achieved from the underlying funds. This means the funds longer term asset allocation, and any shorter term adjustments to this will largely determine whether the fund meets its performance objective. The low overall cost of the fund constrains the investable universe, which is generally more limited than a number of competitors which charge higher fees.

Value for Money

The fund's ongoing charge figure (OCF) is priced beneath the median for its passive peer group. The fund's transaction costs have also been reported as negative, most likely due to market slippage, the difference between the price quoted when a trade is placed in the market and the price the trade is executed. The combination of these two inputs results in the fund being very good value for money when you consider that both its longer term and shorter term positioning is actively managed and that the fund provides exposure to a diversified range of assets. The use, primarily, of the group's own passive range of funds helps to keep the overall cost at a low level.



ESG Integration

Company Assessment	0	1	2+	3
Demonstrable steps are being taken to fully integrate ESG factors into all of the company's investment processes.				
Fund Assessment	0	1	2	3
There is no discernible approach to, or consideration of ESG factors in the fund's investment process.				

Responsible Investing Approach

Exclusion	Responsible Practices	Sustainability	Impact
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional Information

Annualised Return	5.53%
Annualised Volatility	8.14%
Max Drawdown	-12.57%
Max Gain	9.09%
Max Loss	-5.15%
Sharpe Ratio	0.68
Sortino Ratio	0.68

(3 years data to last month end unless otherwise stated)

Currency of Share Class

GBP

Fund Price (as at 12 May 2023)

86.0 pence

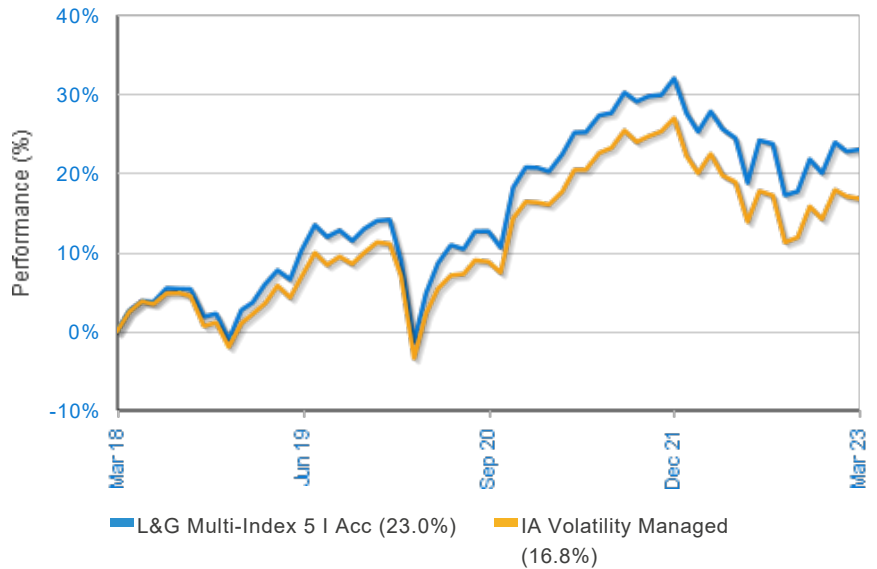
Benchmark

None Stated

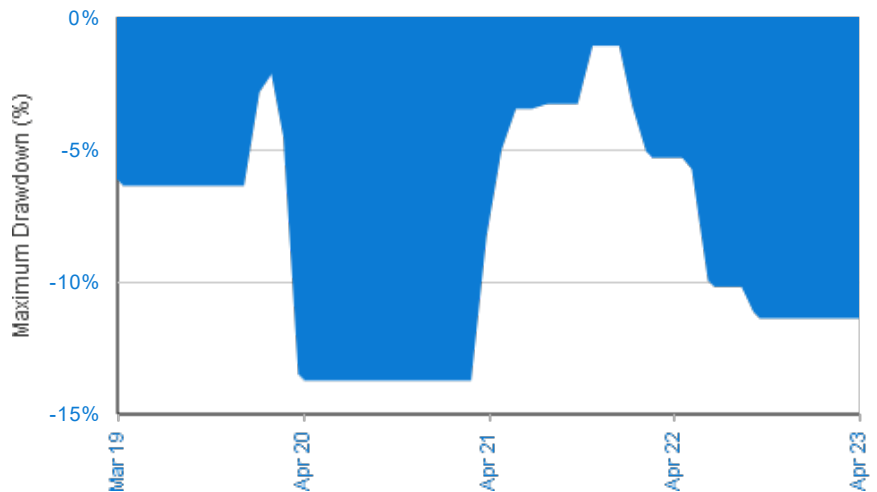
Discrete Annual Performance to Last Quarter End

Period	Fund (%)	Sector (%)	Quartile Ranking
0-12m	-3.8	-4.6	-
12-24m	4.4	4.0	-
24-36m	24.0	21.8	-
36-48m	-6.8	-6.7	-
48-60m	5.9	3.6	-

Capital Growth



Maximum Drawdown (Rolling 12 Months)



Asset Allocation Positioning

Name	%
North American Equities	13.0
Global Developed Markets Government Fixed Interest	11.8
UK Equities	11.3
Europe ex UK Equities	8.3
UK Corporate Fixed Interest	5.5
Japanese Equities	5.5
Global Emerging Market Equities	4.5
Others	39.1

(Data as at 31 Mar 2023)

Top Ten Holdings

(Data as at 31 Mar 2023)

Company Name	%
L&G US INDEX	12.5
L&G UK INDEX TRUST	9.8
L&G EUROPEAN INDEX TRUST	6.8
L&G STERLING CORPORATE BOND INDEX FUND	5.5
L&G JAPAN INDEX TRUST	5.5
L&G GLOBAL EMERGING MARKETS INDEX FUND	4.5
L&G PACIFIC INDEX TRUST	3.5
L&G EMERGING MARKETS GOVERNMENT BOND USD INDEX FUND	3.5
L&G EURO HIGH ALPHA CORPORATE BOND I ACC	3.0

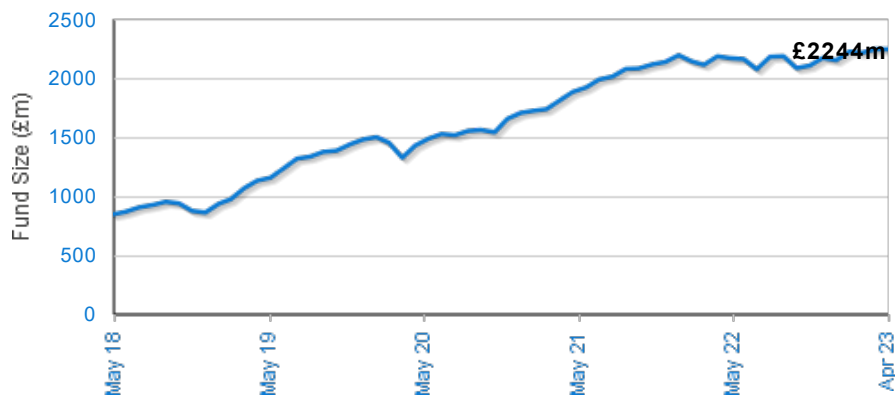
Geographic Breakdown

(Data as at 31 Mar 2023)



- North America (13%)
- International (12%)
- UK (11%)
- Europe ex UK (8%)
- Japan (6%)
- Global Emerging Markets (4%)
- Asia Pacific ex Japan (4%)
- Money Market (3%)
- Not Specified (3%)
- Other (1.5%)

Assets Under Management



Qualitative Risk Assessment

	Significant	Potentially Significant	Not Significant
Equity Risk	●		
Interest Rate Risk		●	
Credit Risk		●	
Exchange Rate Risk	●		
Liquidity Risk			●
Emerging Markets Risk		●	
Derivative Risk			●
Manager Risk		●	

Equity Risk

The fund will have exposure to shares. Shares are volatile investments but diversification across asset classes may moderate these risks. At times of economic stress, volatility may rise as might correlations between asset class returns.

Interest Rate Risk

This is a multi-asset fund. Higher interest rates may adversely impact valuations of many financial assets.

Credit Risk

This is a multi-asset fund with exposure to credit markets. A widening in credit spreads may impact the fund. Note that wider credit spreads often occur at times of weaker stock markets and/or weakening economies.

Exchange Rate Risk

The fund has exposure to assets denominated in foreign currencies. Changes to exchange rates may impact the fund price.

Liquidity Risk

The fund primarily invests in liquid assets.

Emerging Markets Risk

The fund has exposure to emerging markets.

Derivative Risk

The fund does not invest significantly in derivatives.

Manager Risk

The managers are seen as important elements to the process however alternatives exist elsewhere in the organisation. Square Mile will reappraise the rating if the managers were to leave.

FE Risk Rating: 56.00

SRRI: 4

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