

# UK EQUITY INDEX FUND

Data to 31 March 2010

**Fund Size** £49,429 million

**Number of Holdings** 677

## In a Nutshell

- Aims to capture UK equity market returns
- Offers opportunities to maximise the growth of your pension account over the mid to long-term
- Tracks the FTSE All-Share Index
- Aimed at members with mid to long-term investment horizons

## Glossary

**Credit markets** 'Fixed income', 'bonds' and 'credit' are typically used interchangeably to refer to financial markets where debt securities are traded. Unlike equities, when investors acquire a debt security, it represents a loan to the organisation behind it (i.e. government, corporation, etc)

**Equities** Shares in companies

**Index** A measure of performance of a market

**Index funds** Funds designed to perform broadly in line with a given market index

**Investment classes** Different types of investments, for example, equities, bonds or cash

**Investment horizon** The period over which you are looking to maintain your investment (such as until your pension date)

**Long-term** 15 years and longer

**Mid-term** 5 to 15 years

**Returns** In this case, the capital growth and the income derived from investing in a fund or a stockmarket

**Risk** The possibility that an investment will lead to a gain or loss - the higher the risk, the higher the anticipated rewards or potential losses; the lower the risk, the lower the anticipated rewards or potential losses

**Volatile** Subject to fluctuations in value, caused by rising and falling stock markets, interest rates and for overseas investments, exchange rate between currencies

## Why Legal & General Investment Management?

Legal & General Investment Management is one of the largest investment managers in the UK, with more than £315 billion\* under management and over 3,113\* company pension scheme clients. We offer a wide range of investment products designed to meet the needs of pension schemes and their members, all managed by dedicated fund management teams and supported by award winning client service.

## Investing for Mid to Long-Term Growth

The UK Equity Index Fund aims to capture the returns of the UK equity market. It tracks the FTSE All-Share Index and invests only in UK equities.

The Fund is likely to be of specific interest to members with mid to long-term investment horizons.

### Why invest in equities?

The suitability of one investment class over another changes throughout your working life. If you are aiming for mid to long-term growth in the value of your pension account, a suitable strategy could be to invest in equities. Although equities can demonstrate extreme short-term volatility due to their sensitivity to movements in the economy and news about companies and industries, over the long-term they have historically given higher returns than other asset classes. Their long-term returns have outpaced inflation thereby increasing the buying power of your money. However, please remember that past performance is not a guide to the future.

### The index fund approach

Index funds aim to eliminate the risk of poor share selection and deliver returns that are close to market returns. They do this by investing in most of the companies within the relevant market measured by the index.

### Investing basics and Equities

\*Data as at 31 December 2009

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Legal & General Investment Management, One Coleman Street, London EC2R 5AA

# WORLD (EX-UK) EQUITY INDEX FUND

Data to 31 March 2010

**Fund Size** £6,343 million

**Number of Holdings** 1,969

## In a Nutshell

- Aims to capture world equity market returns (ex-UK)
- Offers opportunities to maximise the growth of your pension account over the mid to long-term
- Tracks the FTSE AW-World (ex-UK) Index
- Aimed at members with mid to long-term investment horizons

## Glossary

**Credit markets** 'Fixed income', 'bonds' and 'credit' are typically used interchangeably to refer to financial markets where debt securities are traded. Unlike equities, when investors acquire a debt security, it represents a loan to the organisation behind it (i.e. government, corporation, etc)

**Equities** Shares in companies

**Index** A measure of performance of a market

**Index funds** Funds designed to perform broadly in line with a given market index

**Investment classes** Different types of investments, for example, equities, bonds or cash

**Investment horizon** The period over which you are looking to maintain your investment (such as until your pension date)

**Long-term** At least 15 years and longer

**Mid-term** 5 to 15 years

**Returns** In this case, the capital growth and the income derived from investing in a fund or a stockmarket

**Risk** The possibility that an investment will lead to a gain or loss – the higher the risk, the higher the anticipated rewards or potential losses; the lower the risk, the lower the anticipated rewards or potential losses

**Volatile** Subject to fluctuations in value, caused by rising and falling stock markets, interest rates and for overseas investments, exchange rate between currencies

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## Investing for Mid to Long-Term Growth

The World (ex-UK) Equity Index Fund aims to capture global equity market returns (excluding the UK). It tracks the FTSE AW-World (ex-UK) Index and invests in units in our regional funds that make up the FTSE WORLD Index.

The Fund is likely to be of specific interest to members with mid to long-term investment horizons.

### Why invest in equities?

The suitability of one investment class over another changes throughout your working life. If you are aiming for mid to long-term growth in the value of your pension account, a suitable strategy could be to invest in equities. Although equities can demonstrate extreme short-term volatility due to their sensitivity to movements in the economy and news about companies and industries, over the long-term they have historically given higher returns than other asset classes. Their long-term returns have outpaced inflation thereby increasing the buying power of your money. However, please remember that past performance is not a guide to the future.

### The index fund approach

Index funds aim to eliminate the risk of poor share selection and deliver returns that are close to market returns. They do this by investing in most of the companies within the relevant market measured by the index.

### Spreading risk by investing overseas

The inclusion of overseas assets provides diversification and helps protect your pension by spreading the risk among different markets. However, these markets are influenced by their local economies and involve exposure to currencies other than sterling. Exchange rate variations can cause the value of overseas investments to fluctuate.

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# WORLD (EX-UK) EQUITY INDEX FUND

## PERFORMANCE

	FUND NET %	FUND GROSS %	INDEX %
Mar 2009 - Mar 2010	46.6	47.0	46.5
Mar 2008 - Mar 2009	-19.2	-19.0	-19.3
Mar 2007 - Mar 2008	-2.1	-1.9	-2.0
Mar 2005 - Mar 2006	2.0	2.2	2.1
Mar 2004 - Mar 2005	31.3	31.6	31.1

## Per annum to 31 March 2010

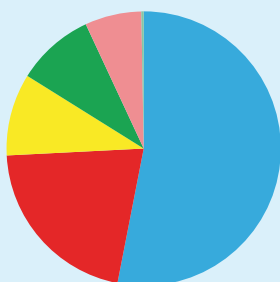
	FUND NET %	FUND GROSS %	INDEX %
3 years	5.1	5.3	5.1
5 years	9.2	9.5	9.2

Past performance is not a guide to the future.

Returns are calculated on the basis of closing middle-market prices. Fund Net returns are after the deduction of our standard investment management fees (please refer to your scheme's literature to determine the fee rate you are paying).

## FUND ASSET ALLOCATION

As at 31 March 2010



North America	53.1%	(54.2%)
Europe (ex-UK)	21.2%	(21.3%)
Japan	9.7%	(10.7%)
Asia Pacific (ex-Japan)	9.0%	(9.5%)
Emerging Markets	6.6%	(3.9%)
Middle East/Africa	0.4%*	(0.4%*)

Figure in brackets show asset allocation as at 31 March 2009.

\*Fund started 10 September 2008, previously held within Emerging Markets.

The source of all information is LGIM unless otherwise stated.

## Market Highlights Over 12 Months to 31 March 2010

Financial markets have staged a remarkable comeback from the extreme lows reached in March one year ago. At the centre of this turnaround has been a dramatic improvement in the investment environment. Through the past twelve months the developed world has emerged from the worst economic recession in more than seventy years. With the global economy in decline and the financial system left battered from the financial crisis, world leaders concentrated on formulating strategies to rebuild the banking sector and bring major economies back to growth. As a result, central banks and governments across the globe coordinated ways of stimulating their economies which resulted in official interest rates being reduced towards zero in major developed markets and the introduction of 'quantitative easing' (essentially creating new money) measures in America and the United Kingdom.

The weight of the extraordinary measures undertaken proved effective. Financial markets rallied through the second half of 2009 as signs of life began to return to developed economies. However, equity markets remained highly volatile as investors debated the timing and strength of the economic recovery. The economic data and news from the corporate sector have continued to be broadly reassuring during the first three months of 2010 and the global economic recovery appears 'on track', albeit at a subdued pace.

While investor sentiment has improved markedly through the course of the year and most stock markets have produced strong results, a number of concerns have begun to appear towards the end of the reporting period. High government debt levels in much of the developed world have been brought into focus as a result of fears surrounding the ability of a number of Southern European economies (particularly Greece, Spain and Portugal) to service their ever expanding deficits. While the global economy has emerged from recession and growth rates are strong in the emerging economies, unemployment remains high in many developed nations. As policy makers begin to unwind their supportive measures, stock markets may need to begin to factor in a more subdued global economic climate.

## Important Information

Past performance is not a guide to the future and the value of investments can go down as well as up. Exchange rate variations can cause the value of overseas investments to increase or decrease. Investors may not recoup the value of their original investment. For overseas markets the figures are sterling adjusted and net of any withholding tax. This document should not be taken as an invitation to deal in Legal & General investments or any of the stated stock markets.

AE/CC

## CASH FUND

Data to 31 March 2010

**Fund Size** £2,518 million

### In a Nutshell

- Invested in cash deposits and short-term investments
- Offers protection against stock market falls (rather than growth in the long-term)
- Likely to be of specific interest to members anticipating a cash sum on their pension date

### Glossary

**Annuity** A pension which guarantees an income for life bought with the cash value of a pension account

**Investment classes** Different types of investments, for example, equities, bonds or cash

**Pension Date** The date on which an individual starts to receive a pension

**Return** In this case, the income derived from cash deposits and other short-term investments

**Risk** The possibility that an investment will lead to a gain or a loss - the higher the risk, the higher anticipated rewards or potential losses, the lower the risk, the lower the anticipated rewards or potential losses

**Short-term investments** Cash or bonds with a short "life-span" of up to one year are considered to be short-term investments

**Volatile** Subject to fluctuations in value, caused by rising and falling stock markets, interest rates and for overseas investments, exchange rate between currencies

### Why Legal & General Investment Management?

Legal & General Investment Management is one of the largest investment managers in the UK, with more than £315 billion\* under management and over 3,113\* company pension scheme clients. We offer a wide range of investment products designed to meet the needs of pension schemes and their members, all managed by dedicated fund management teams and supported by award winning client service.

### Investing for the Short-Term

The Cash Fund aims to deliver competitive rates of return from sterling cash deposits with a number of UK and overseas financial institutions. It aims to match the median return of similar cash funds.

The Cash Fund holds cash deposits with high quality institutions monitored by Legal & General's Cash Management Team. The Fund will also hold investments issued by the UK Government.

If any of the financial institutions with whom the Fund's money is deposited becomes insolvent or suffers other financial difficulties, the full deposit may not be returned. This would mean that you may not get back the full value of your investment.

The Fund is likely to be of specific interest to investors looking for a short-term investment.

Cash is generally not considered a suitable investment for longer periods of investment, such as the whole of a working lifetime, because historically it has lacked the ability to keep pace with inflation.

Different investment classes have different levels of volatility and risk which means that the levels of return vary greatly. The suitability of one investment class over another therefore changes throughout your working life.

#### As you near your Pension Date

If you wish to take a cash sum at your Pension Date, you may wish to start building up a proportion of your pension account as cash, as you approach this date, moving it out of more volatile investments into cash can help provide for your final sum.

At your Pension Date, you can take part of your pension in cash. Under current legislation, this is paid free of tax and is an attractive benefit to consider. The remainder will be used to buy a pension annuity.

\*Data as at 31 December 2009.

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## CASH FUND

### PERFORMANCE

FUND	FUND NET %	FUND GROSS %
Mar 2009 - Mar 2010	0.4	0.5
Mar 2008 - Mar 2009	3.9	4.0
Mar 2007 - Mar 2008	5.8	5.9
Mar 2006 - Mar 2007	4.9	5.0
Mar 2005 - Mar 2006	4.6	4.7

### Per annum to 31 March 2010

	FUND NET %	FUND GROSS %
3 years	3.3	3.4
5 years	3.9	4.0

Past performance is not a guide to the future. Returns are calculated on the basis of closing middle-market prices. Fund Net returns are after the deduction of our standard investment management fees (please refer to your scheme's literature to determine the fee rate you are paying).

### Market Highlights Over 12 Months to 31 March 2010

Through the past twelve months the developed world has emerged from the worst economic recession in more than seventy years. With the global economy in decline and the financial system left battered from the financial crisis, world leaders concentrated on formulating strategies to rebuild the banking sector and bring major economies back to growth. As a result, central banks and governments across the globe coordinated ways of stimulating their economies which resulted in official interest rates being reduced towards zero in major developed markets and the introduction of 'quantitative easing' (essentially creating new money) measures in America and the United Kingdom.

The extraordinary measures which policy makers have undertaken during the past twelve months have significantly affected the performance of cash instruments and government bond markets. While an improving economic backdrop typically places upward pressure on interest rates, the sheer scale of monetary stimulus programmes has kept interest rates artificially low. In the US, the Federal Reserve completed \$300bn in purchases of US Treasuries and the Bank of England (BOE) completed close to £200bn of quantitative easing almost entirely taken up by gilt purchases.

The weight of the extraordinary measures undertaken by policy makers appears to have proven effective in stabilising the global economy. Economic data have continued to be broadly reassuring during the first three months of 2010 and the global recovery remains appears 'on track', albeit at a subdued pace. However, a number of concerns have also mounted towards the end of the reporting period. High government debt levels in much of the developed world have been brought into focus as a result of fears surrounding the ability of a number of Southern European economies (particularly Greece, Spain and Portugal) to service their ever expanding deficits. While the global economy has emerged from recession and growth rates are strong in the emerging economies, unemployment remains high in many developed nations. As policy makers begin to unwind their supportive measures, investors may need to begin to factor in a more subdued global economic climate.

### Important Information

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AR/H

# CONSENSUS INDEX FUND

Data to 31 March 2010

**Fund Size** £3,035 million

## In a Nutshell

- Aims to deliver competitive returns over the mid to long-term
- The spread across asset classes reflects the way the average Balanced Fund invests, excluding Property
- Balances the potential growth of UK and overseas equities with the relative security of gilts, overseas bonds and cash
- Aimed at members with mid to long-term investment horizons but who seek an underlying element of security

## Glossary

**Balanced fund** Funds that hold a spread of equity and bond investments with the mix chosen by the investment manager

**Benchmark** A measure of performance of a combined set of markets used for comparison purposes

**Bonds** Securities issued by governments or companies which pay a fixed rate of interest (often called gilts if issued by the UK government)

**Credit markets** 'Fixed income', 'bonds' and 'credit' are typically used interchangeably to refer to financial markets where debt securities are traded. Unlike equities, when investors acquire a debt security, it represents a loan to the organisation behind it (i.e. government, corporation, etc)

**Equities** Shares in companies

**Index** A measure of performance of a market

**Index funds** Funds designed to perform broadly in line with a given market index

**Investment classes** Different types of investments, for example, equities, bonds or cash

**Investment horizon** The period over which you are looking to maintain your investment (such as until your pension date)

**Long-term** At least 15 years and longer

**Returns** In this case, the capital growth and the income derived from investing in a fund or stockmarket

**Risk** The possibility that an investment will lead to a gain or loss – the higher the risk, the higher the anticipated rewards or potential losses, the lower the risk, the lower the anticipated rewards or potential losses

**Volatile** Subject to fluctuations in value, caused by rising and falling stock markets, interest rates and for overseas investments, exchange rate between currencies

## Why Legal & General Investment Management?

Legal & General Investment Management is one of the largest investment managers in the UK, with more than £315 billion\* under management and over 3,113\* company pension scheme clients. We offer a wide range of investment products designed to meet the needs of pension schemes and their members, all managed by dedicated fund management teams and supported by award winning client service.

## Investing for Mid to Long-Term Growth

The Consensus Index Fund combines the mid to long-term growth potential of UK and overseas equities with the relative security of gilts, overseas bonds and cash.

The Fund is likely to be of specific interest to members with mid to long-term investment horizons.

### Why invest in equities?

The suitability of one investment class over another changes throughout your working life. If you are aiming for mid to long-term growth in the value of your pension account, a suitable strategy could be to invest in equities. Although equities can demonstrate extreme short-term volatility due to their sensitivity to movements in the economy and news about companies and industries, over the long-term they have historically given higher returns than other asset classes. Their long-term returns have outpaced inflation thereby increasing the buying power of your money. However, please remember that past performance is not a guide to the future.

This Fund follows such a strategy and is biased towards equities with some investment in bonds and cash. This can help lessen the impact of any short-term equity volatility.

### Managed to reduce risk

Index funds invest in nearly all the companies in their respective indices. This approach protects your pension account from poor stock selection and helps deliver returns which are consistently close to market returns. This Fund also helps manage risk by allocating investments based on the average profile – or consensus – of a number of balanced funds managed by different investment managers for pension schemes.

### Spreading risk by investing overseas

The inclusion of overseas assets provides diversification and helps protect your pension by spreading the risk among different markets. However, these markets are influenced by their local economies and involve exposure to currencies other than sterling. Exchange rate variations can cause the value of overseas investments to fluctuate.

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Legal & General Investment Management, One Coleman Street, London EC2 5AA

# CONSENSUS INDEX FUND

## PERFORMANCE

	FUND NET %	FUND GROSS %	BENCHMARK %
Mar 2009 - Mar 2010	39.7	39.9	39.5
Mar 2008 - Mar 2009	-19.1	-19.0	-19.3
Mar 2007 - Mar 2008	-2.4	-2.3	-2.2
Mar 2005 - Mar 2006	7.4	7.6	7.4
Mar 2004 - Mar 2005	27.3	27.5	27.3

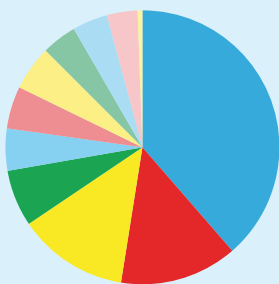
### Per annum to 31 March 2010

	FUND NET %	FUND GROSS %	BENCHMARK %
3 years	3.3	3.4	3.2
5 years	8.5	8.7	8.5

Past performance is not a guide to the future. Returns are calculated on the basis of closing middle-market prices. Fund Gross returns are before the deduction of fees. (Please refer to your Scheme's literature to determine the fee rate you are paying).

## FUND ASSET ALLOCATION

### As at 31 March 2010



#### Equities

UK	38.7% (36.8%)
North America	13.8% (11.8%)
Europe (ex-UK)	13.1% (12.1%)
Asia Pacific (ex-Japan) Developed	6.5% (5.2%)
Japan	5.1% (5.1%)
Emerging Markets	5.0% (3.8%)

#### Bonds

Cash	5.3% (9.2%)
UK Fixed Interest	4.3% (6.3%)
UK Corporate Bonds	3.9% (4.7%)
Overseas Bonds	3.8% (3.8%)
UK Index-Linked	0.4% (0.3%)
US Index-Linked	0.1% (0.2%)

Figures in brackets show asset allocation as at 31 March 2009.

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## Market Highlights Over 12 Months to 31 March 2010

Through the past twelve months the developed world has emerged from the worst economic recession in more than seventy years. With the global economy in decline and the financial system left battered from the financial crisis, world leaders concentrated on formulating strategies to rebuild the banking sector and bring major economies back to growth. As a result, central banks and governments across the globe coordinated ways of stimulating their economies which resulted in official interest rates being reduced towards zero in major developed markets and the introduction of 'quantitative easing' (essentially creating new money) measures in America and the United Kingdom.

The extraordinary measures which policy makers have undertaken during the past twelve months have significantly affected the performance of cash instruments and government bond markets. While an improving economic backdrop typically places upward pressure on interest rates, the sheer scale of monetary stimulus programmes has kept interest rates artificially low. In the US, the Federal Reserve completed \$300bn in purchases of US Treasuries and the Bank of England (BOE) completed close to £200bn of quantitative easing almost entirely taken up by gilt purchases.

The weight of the extraordinary measures undertaken by policy makers appears to have proven effective in stabilising the global economy. Economic data have continued to be broadly reassuring during the first three months of 2010 and the global recovery remains appears 'on track', albeit at a subdued pace. However, a number of concerns have also mounted towards the end of the reporting period. High government debt levels in much of the developed world have been brought into focus as a result of fears surrounding the ability of a number of Southern European economies (particularly Greece, Spain and Portugal) to service their ever expanding deficits. While the global economy has emerged from recession and growth rates are strong in the emerging economies, unemployment remains high in many developed nations. As policy makers begin to unwind their supportive measures, investors may need to begin to factor in a more subdued global economic climate.

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AB/AN

# ETHICAL UK EQUITY INDEX FUND

Data to 31 March 2010

<b>Fund Size</b>	<b>£74 million</b>
<b>Number of Holdings</b>	<b>263</b>

## In a Nutshell

- Offers opportunities to maximise the growth of your pension account over the mid to long-term
- Aimed at members with mid to long-term investment horizons who wish to take account of their ethical, environmental or social principles **in the UK equity markets**
- Tracks the FTSE4Good UK Index

## Glossary

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**Equities** Shares in companies

**Index** A measure of performance of a market

**Investment classes** Different types of investments, for example, equities, bonds or cash

**Investment horizon** The period over which you are looking to maintain your investment (such as until your pension date)

**Long-term** 15 years and longer

**Mid-term** 5 to 15 years

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**Volatile** Subject to fluctuations in value, caused by rising and falling stock markets, interest rates and for overseas investments, exchange rate between currencies

## Why Legal & General Investment Management?

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## Investing for Mid to Long-Term Growth

The Ethical UK Equity Index Fund aims to capture the returns of the FTSE4Good UK Index and is aimed at investors who wish to take account of ethical, environmental or social principles.

The Fund is likely to be of specific interest to members with mid to long-term investment horizons.

### Why invest in equities?

The suitability of one investment class over another changes throughout your working life. If you are aiming for mid to long-term growth in the value of your pension account, a suitable strategy could be to invest in equities. Although equities can demonstrate extreme short-term volatility due to their sensitivity to movements in the economy and news about companies and industries, over the long-term they have historically given higher returns than other asset classes. Their long-term returns have outpaced inflation thereby increasing the buying power of your money. However, please remember that past performance is not a guide to the future.

### The index fund approach

Index funds aim to eliminate the risk of poor share selection and deliver returns that are close to market returns. They do this by investing in most of the companies within the relevant market measured by the index.

### FTSE4Good Index Series

FTSE4Good is an Index series for socially responsible investment, which was designed with the support of the United Nations Children's Fund, and uses data provided by the Ethical Investment Research Service. The FTSE4Good Advisory Committee is responsible for the management of the FTSE4Good selection criteria and for undertaking the review of all FTSE4Good indices.

The FTSE4Good index completely excludes companies that are significantly involved in tobacco production, the manufacture of whole weapons systems or strategic parts or services for nuclear weapon and those who operate nuclear power stations or mine/process uranium. When deciding whether to exclude companies outside these sectors, FTSE4Good classify companies based on their impact on the environment. Criteria for inclusion are more stringent for companies having a high impact on the environment.

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# ETHICAL UK EQUITY INDEX FUND

## PERFORMANCE

	FUND NET %	FUND GROSS %	INDEX %
Mar 2009 - Mar 2010	49.1	49.4	48.7
Mar 2008 - Mar 2009	-27.5	-27.4	-27.5
Mar 2007 - Mar 2008	-10.3	-10.2	-10.1
Mar 2006 - Mar 2007	9.2	9.4	9.4
Mar 2005 - Mar 2006	23.9	24.1	24.1

## Per annum to 31 March 2010

	FUND NET %	FUND GROSS %	INDEX %
3 years	-1.0	-0.8	-1.1
5 years	5.6	5.8	5.6

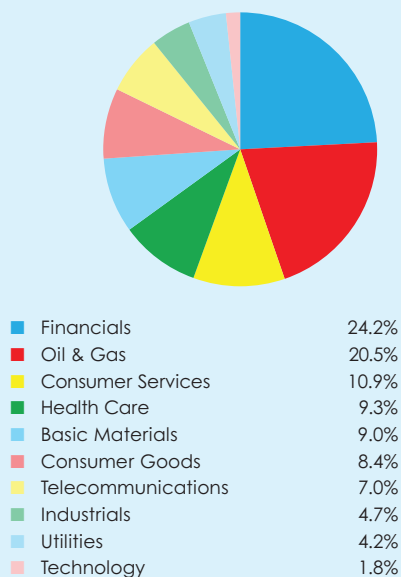
Past performance is not a guide to the future.

Returns are calculated on the basis of closing middle-market prices. Fund Net returns are after the deduction of our standard investment management fees (please refer to your scheme's literature to determine the fee rate you are paying).

Prior to the launch of the Index the Fund was managed passively.

## INDEX SECTOR DISTRIBUTION

As at 31 March 2010



The source of all information is LGIM unless otherwise stated.

## Market Highlights Over 12 Months to 31 March 2010

Financial markets have staged a remarkable comeback from the extreme lows reached in March one year ago. At the centre of this turnaround has been a dramatic improvement in the investment environment. Through the past twelve months the developed world has emerged from the worst economic recession in more than seventy years. With the global economy in decline and the financial system left battered from the financial crisis, world leaders concentrated on formulating strategies to rebuild the banking sector and bring major economies back to growth. As a result, central banks and governments across the globe coordinated ways of stimulating their economies which resulted in official interest rates being reduced towards zero in major developed markets and the introduction of 'quantitative easing' (essentially creating new money) measures in America and the United Kingdom.

The weight of the extraordinary measures undertaken proved effective. Financial markets rallied through the second half of 2009 as signs of life began to return to developed economies. However, equity markets remained highly volatile as investors debated the timing and strength of the economic recovery. The economic data and news from the corporate sector have continued to be broadly reassuring during the first three months of 2010 and the global economic recovery appears 'on track', albeit at a subdued pace.

While investor sentiment has improved markedly through the course of the year and most stock markets have produced strong results, a number of concerns have begun to appear towards the end of the reporting period. High government debt levels in much of the developed world have been brought into focus as a result of fears surrounding the ability of a number of Southern European economies (particularly Greece, Spain and Portugal) to service their ever expanding deficits. While the global economy has emerged from recession and growth rates are strong in the emerging economies, unemployment remains high in many developed nations. As policy makers begin to unwind their supportive measures, stock markets may need to begin to factor in a more subdued global economic climate.

## Ten Largest Index Companies %

BP	8.8
Royal Dutch Shell	8.8
HSBC Holdings	8.7
Vodafone Group	6.0
GlaxoSmithKline	4.9
Rio Tinto	4.4
BHP Billiton	3.7
Astrazeneca	3.2
Barclays	3.2
BG Group	2.9

## Important Information

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DK/CE

# OVER 15 YEAR GILTS INDEX FUND

Data to 31 March 2010

**Fund Size** £7,037 million

**Number of Holdings** 13

## In a Nutshell

- Helps safeguard part or all of your pension account in anticipation of buying an annuity
- Tracks the FTSE A Government (Over 15 Year) Index
- Likely to be of specific interest to members nearing their pension date

## Glossary

**Annuity** A pension which guarantees an income for life bought with the cash value of a pension account

**Bonds** Securities issued by governments or companies which pay a fixed rate of interest. UK Government Bonds are called gilts

**Credit markets** 'Fixed income', 'bonds' and 'credit' are typically used interchangeably to refer to financial markets where debt securities are traded. Unlike equities, when investors acquire a debt security, it represents a loan to the organisation behind it (i.e. government, corporation, etc)

**Index** A measure of performance of a market

**Index funds** Funds designed to perform broadly in line with a given market index

**Investment classes** Different types of investments, for example, equities, bonds or cash

**Investment horizon** The period over which you are looking to maintain your investment (such as until your pension date)

**Long-term** At least 15 years and longer

**Pension Date** The date on which an individual starts to receive a pension

**Returns** In this case, the capital growth and the income derived from investing in a stockmarket

**Risk** The possibility that an investment will lead to a gain or a loss - the higher the risk, the higher the anticipated rewards or potential losses, the lower the risk, the lower the anticipated rewards or potential losses

**Volatile** Subject to fluctuations in value, caused by rising and falling stock markets, interest rates and for overseas investments, exchange rate between currencies

## Why Legal & General Investment Management?

Legal & General Investment Management is one of the largest investment managers in the UK, with more than £315 billion\* under management and over 3113\* company pension scheme clients. We offer a wide range of investment products designed to meet the needs of pension schemes and their members, all managed by dedicated fund management teams and supported by award winning client service.

## Investing for your Pension Date

The Over 15 Year Gilts Index Fund aims to capture the returns of the UK gilt market. It tracks the FTSE A Government (Over 15 Year) Index and invests in long-term gilts.

Different investment classes have different levels of volatility and risk which means that the levels of return vary greatly. The suitability of one investment class over another therefore changes throughout your working life. This Fund is likely to be of specific interest to members who are nearing their pension date.

Gilts pay a fixed rate of interest and have the security of being issued and backed by the UK Government. They offer greater security than equities because their price and therefore their value tends to be less volatile. However, although gilt prices are less volatile their capital value is linked to interest rates and will fall when interest rates are rising and rise when interest rates fall.

Generally, reduced risk means a lower return and gilt returns have historically been lower than equity returns over the long-term.

### Mid to long-term investment horizons

If you have a mid to long-term investment horizon you will usually be aiming to maximise growth in your pension account and so will probably be investing mainly in equities.

### As you near your pension date

However, as you near your pension date, you may want to reduce the volatility of the value of your pension account. You can do this by moving part or all of your pension account out of equities and into bonds.

You will also be thinking about buying an annuity and you may want to ensure that the value of your pension account starts to move in line with the cost of buying an annuity. Annuity providers use bonds to back their annuities. Adopting the same investment approach, as annuity providers, that is investing in bonds, will therefore provide some protection against changes in annuity prices as you get near to your pension date.

\*Data as at 31 December 2009.

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The FTSE A Government (Over 15 Year) Index is operated by FTSE International Limited in conjunction with Reuters, the Institute of Actuaries and the Faculty of Actuaries. FTSE, Reuters, the Institute of Actuaries and the Faculty of Actuaries accept no liability in connection with the trading of any products on the FTSE A Government (Over 15 Year) Index. All copyright in the index value and constituent list belongs to FTSE. Legal & General Investment Management Ltd. has obtained full licence from FTSE to use such copyright in the creation of this product. "FTSE™", "FT-SE®" and "Footsie®" are trademarks of the London Stock Exchange Plc and The Financial Times Limited and are used by FTSE International Limited ("FTSE") under licence."

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## OVER 15 YEAR GILTS INDEX FUND

### PERFORMANCE

	FUND NET %	INDEX %
Mar 2009 - Mar 2010	-0.2	-0.2
Mar 2008 - Mar 2009	8.5	8.6
Mar 2007 - Mar 2008	5.0	5.1
Mar 2006 - Mar 2007	-1.2	-1.1
Mar 2005 - Mar 2006	10.6	10.7

### Per annum to 31 March 2010

	FUND NET %	INDEX %
3 years	4.4	4.4
5 years	4.4	4.5

Past performance is not a guide to the future. Returns are calculated on the basis of closing middle-market prices. Fund Net returns are after the deduction of our standard investment management fees (please refer to your scheme's literature to determine the fee rate you are paying).

### Market Highlights Over 12 Months to 31 March 2010

Through the past twelve months the developed world has emerged from the worst economic recession in more than seventy years. With the global economy in decline and the financial system left battered from the financial crisis, world leaders concentrated on formulating strategies to rebuild the banking sector and bring major economies back to growth. As a result, central banks and governments across the globe coordinated ways of stimulating their economies which resulted in official interest rates being reduced towards zero in major developed markets and the introduction of 'quantitative easing' (essentially creating new money) measures in America and the United Kingdom.

The extraordinary measures which policy makers have undertaken during the past twelve months have significantly affected the performance of cash instruments and government bond markets. While an improving economic backdrop typically places upward pressure on interest rates, the sheer scale of monetary stimulus programmes has kept interest rates artificially low. In the US, the Federal Reserve completed \$300bn in purchases of US Treasuries and the Bank of England (BOE) completed close to £200bn of quantitative easing almost entirely taken up by gilt purchases.

The weight of the extraordinary measures undertaken by policy makers appears to have proven effective in stabilising the global economy. Economic data have continued to be broadly reassuring during the first three months of 2010 and the global recovery remains appears 'on track', albeit at a subdued pace. However, a number of concerns have also mounted towards the end of the reporting period. High government debt levels in much of the developed world have been brought into focus as a result of fears surrounding the ability of a number of Southern European economies (particularly Greece, Spain and Portugal) to service their ever expanding deficits. While the global economy has emerged from recession and growth rates are strong in the emerging economies, unemployment remains high in many developed nations. As policy makers begin to unwind their supportive measures, investors may need to begin to factor in a more subdued global economic climate.

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AF/AM

## UK EQUITY INDEX FUND

### PERFORMANCE

	FUND NET %	FUND GROSS %	INDEX %
Mar 2009 - Mar 2010	52.9	53.0	52.3
Mar 2008 - Mar 2009	-29.2	-29.1	-29.3
Mar 2007 - Mar 2008	-7.9	-7.8	-7.7
Mar 2006 - Mar 2007	11.1	11.2	11.1
Mar 2005 - Mar 2006	27.9	28.0	28.0

### Per annum to 31 March 2010

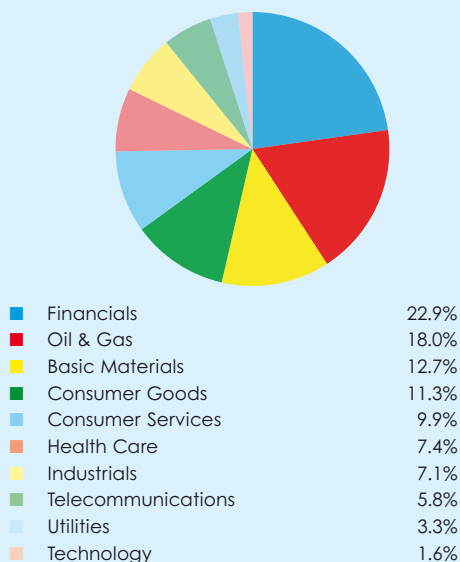
	FUND NET %	FUND GROSS %	INDEX %
3 years	-0.1	0.0	-0.2
5 years	7.2	7.3	7.2

Past performance is not a guide to the future.

Returns are calculated on the basis of closing middle-market prices. Fund Net returns are after the deduction of our standard investment management fees (please refer to your scheme's literature to determine the fee rate you are paying). Fund Gross returns are before the deduction of fees.

### INDEX SECTOR DISTRIBUTION

As at 31 March 2010



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Rio Tinto	3.5
BHP Billiton	2.9
British American Tobacco	2.7
Barclays	2.5
Astrazeneca	2.5

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AS/N