

# CONSENSUS INDEX FUND

Data to 30 June 2010

**Fund Size** £2,663 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 £330 billion\* under management and over 3,000\* 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.

\*Data as at 31 March 2010.

This document should not be taken as an invitation to deal in Legal & General investments or any of the stated stock markets.

Legal & General Investment Management Limited provides Investment Management services to Legal & General Assurance (Pensions Management) Limited, the operating company for the Funds. Both companies are authorised and regulated by the Financial Services Authority.

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

## CONSENSUS INDEX FUND

### PERFORMANCE

	FUND NET %	FUND GROSS %	BENCHMARK %
Jun 2009 - Jun 2010	18.7	18.9	18.8
Jun 2008 - Jun 2009	-11.9	-11.7	-12.3
Jun 2007 - Jun 2008	-7.8	-7.7	-7.6
Jun 2005 - Jun 2006	15.8	15.9	15.8
Jun 2004 - Jun 2005	16.9	17.1	17.0

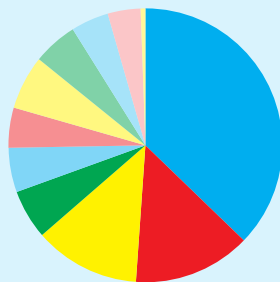
### Per annum to 30 June 2010

	FUND NET %	FUND GROSS %	BENCHMARK %
3 years	-1.2	-1.0	-1.2
5 years	5.5	5.6	5.5

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 30 June 2010



Equities		
UK	37.1%	(37.8%)
North America	14.0%	(11.8%)
Europe (ex-UK)	12.4%	(12.6%)
Asia Pacific (ex-Japan) Developed	6.0%	(5.8%)
Japan	5.1%	(5.2%)
Emerging Markets	4.7%	(4.5%)

Bonds		
Cash	6.4%	(7.8%)
UK Fixed Interest	5.2%	(6.1%)
UK Corporate Bonds	4.6%	(4.5%)
Overseas Bonds	3.9%	(3.4%)
UK Index-Linked	0.4%	(0.3%)
US Index-Linked	0.1%	(0.2%)

Figures in brackets show asset allocation as at 30 June 2009.

The source of all information is LGIM unless otherwise stated.

### Market Highlights Over 12 Months to 30 June 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 weight of the extraordinary measures undertaken proved effective. Financial markets rallied through the majority of 2009 as signs of life began to return to developed economies and investors began to price in the economic recovery. However, markets remained highly volatile as investors debated the timing and strength of the recovery. While economic data and news from the corporate sector initially surprised many with their strength at the start of 2010 the global economic recovery has begun to take on a more subdued pace as the year has progressed. During the past few months a number of significant concerns have come onto the radar. Most significantly, 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.

### 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 where applicable. This document should not be taken as an invitation to deal in Legal & General investments or any of the stated stock markets.

AB/AN