LGIM Matching Plus and Single Stock Funds

Tailored LDI solutions for defined benefit pension schemes.

LGIM’s Matching Plus fund range and Single Stock funds are designed for defined benefit (DB) pension schemes seeking a tailored liability driven investment (LDI) solution that reduces funding level volatility caused by changes in interest rates and inflation.

Every pension scheme has the same objective: to pay members’ pensions when they fall due. With unique liabilities, assets and sponsors, however, bespoke solutions are crucial. That’s why we’ve specifically designed our pooled LDI funds so they can be tailored to your pension scheme’s specific needs.

WHY LGIM FOR POOLED LDI?

Bespoke scheme tailoring
Our dedicated LDI specialists work closely with you along your de-risking journey to understand your scheme’s objectives and provide a cost-effective, low governance solution that’s bespoke to you.

Scale and experience
As the UK’s largest LDI manager\(^1\) we have a strong market footprint and manage more than 25% of the index-linked gilt market. By internally crossing an average of 40%\(^2\) of our gilt and index-linked gilt trading, this approach enables us to save you time and money.

Client engagement
Our quality of client service enables us to build strong partnerships with you and your consultants, demonstrated by the fact that the majority of our new business comes from existing clients. We carry out over 200 LDI training sessions every year, providing you with direct access to our investment professionals.

RANGE INFORMATION

Investment Objective
LGIM’s Matching Plus range aims to reduce DB pension schemes risk exposure to changes in interest rates and inflation.

Domicile
United Kingdom

Dealing Frequency
Weekly

Fund Structure
Unit-linked life insurance.

Please note that the leveraged swap and leveraged gilt funds achieve all exposure by purchasing shares in sub-funds of LGIM (Ireland) Risk Management Solutions PLC, a Dublin domiciled umbrella OEIC (the ‘QIAIF’).

Clients access the QIAIF via a pooled fund within Legal & General Assurance (Pensions Management) Limited’s (‘PMC’) insurance policy.

2. Source: LGIM as at 31 December 2015.
WHY INVEST IN OUR MATCHING PLUS AND SINGLE STOCK FUNDS?

- ‘Mix and match’ approach – full access to a mix of underlying building blocks to match your hedging requirements

- Flexibility in choice of hedging instrument, via our Matching Plus swap or gilt-based funds

- Target greater capital efficiency within a robust risk management framework

- Access to our complimentary modelling service to design your tailored pension scheme solution

- Reduced transaction costs when switching between equivalent single stock and Matching Plus version of same fund

- Easy to understand reporting to keep you informed and up to date

<table>
<thead>
<tr>
<th>LGIM Matching Plus</th>
<th>Leveraged gilt funds*</th>
<th>Single stock funds</th>
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<tbody>
<tr>
<td>Fixed Inflation Real</td>
<td>Index-linked Gilts Gilts</td>
<td>Index-linked Gilts Gilts</td>
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<tr>
<td>2021-2025</td>
<td>2025 (6.3x) 2025 (4.2x) 2025 (5.0x)</td>
<td>2024 (3.4x) 2024 Mar 2022 Sept 2022 2023 2024</td>
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<td>2026-2030</td>
<td>2030 (4.2x) 2030 (3.4x) 2030 (4.1x)</td>
<td>2030 (3.6x) 2027 2030 2027</td>
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<td>2031-2035</td>
<td>2035 (4.7x) 2035 (3.0x) 2035 (3.4x)</td>
<td>2034 (2.7x) 2032 2035 2034</td>
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<td>2036-2040</td>
<td>2040 (3.9x) 2040 (2.8x) 2040 (3.5x)</td>
<td>2037 (2.4x) 2038 (3.2x) 2040 (2.8x)</td>
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<td>2041-2045</td>
<td>2045 (2.7x) 2045 (2.5x) 2045 (2.5x)</td>
<td>2042 (2.1x) 2042 (3.0x) 2045 (3.8x)</td>
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<td>2046-2050</td>
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<td>2051-2055</td>
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<td>2056-2060</td>
<td>2060 (1.8x) 2060 (1.5x) 2060 (1.7x)</td>
<td>2060 (2.3x) 2058 2060</td>
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<td>2061-2065</td>
<td>2062 (1.2x)</td>
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<td>2066-2070</td>
<td>2068 (1.3x) 2068 (1.8x)</td>
<td>2068 2068</td>
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*The figures are as at 31 January 2017 and are the optimal leverage ratios. Leverage varies by each maturity and is monitored on a weekly basis. In the case of either the upper or lower leverage levels being breached the funds will be rebalanced.

INVESTMENT PROCESS

The leveraged swap and leveraged gilt funds are invested wholly or predominately in interest rate swap contracts, inflation swap contracts, gilt repos (open and term), reverse gilt repos (open and term), gilts (the applicable underlying reference gilt), gilt total return swaps (which reference the underlying reference gilt) and shares in sub-funds of LGIM Liquidity Funds plc. The leveraged swap and leveraged gilt funds may also invest in government fixed interest securities and cash for collateral and liquidity management purposes. All derivative exposure will be collateralised daily to help protect against counterparty risk. The single stock funds are invested in the stated fixed interest gilt or index-linked gilt security issued by the government of the United Kingdom.
KEY CONSIDERATIONS AND RISKS

The underlying investments may not exactly match changes in the value of a pension scheme’s liabilities and schemes will need to be able to generate sufficient return in order to meet liability cashflows (typically LIBOR). Leverage means that for every £1 invested more than £1 of exposure is obtained to interest rates and/or inflation. Therefore, large moves in interest rates or inflation rates could mean these funds do not hold sufficient collateral. To reduce the risk of this, we have imposed limits on the amount of leverage allowed. These limits are independently monitored by our Investment Risk team.

In the event that there is a significant reduction in liquidity of the repo and/or the total return swap market, then the cost of funding this leverage increases. Under these circumstances, the Directors of the qualifying investor alternative investment fund (QIAIF), in their sole discretion, may elect to close the Funds in the manner set out under the heading “Termination of a Fund and compulsory repurchase of all Shares” in the prospectus. Trustees should consider and understand the risks associated with these funds prior to any investment. These funds are designed to be held as part of a long-term LDI strategy.

The manager will seek to minimise counterparty risk by centrally clearing new derivative positions. The funds will remain exposed to the risk that the clearing house defaults but will no longer be exposed to the risk that a counterparty bank defaults.

Further details (including relevant risk factors and fund specific risks) are available in the Description of Funds document which can be obtained from your usual LGIM contact or by visiting www.lgim.com/descriptionoffunds

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Important Information
LGIM’s Matching Plus range of Liability Driven Investment Funds is invested wholly in shares of sub-funds of LGIM (Ireland) Risk Management PLC (the “Sub-Funds”); an investment company with variable capital incorporated with limited liability in Ireland under the Companies Act 1963 to 2009 with registration number 478714, authorised as an investment company pursuant to Part XIII of the Companies Act 1990. The Sub-Fund’s prospectus is available on request.

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