

# 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<sup>1</sup> we have a strong market footprint and manage more than 25% of the index-linked gilt market. By internally crossing an average of 40%<sup>2</sup> 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.

1. Source: 2016 KPMG LDI Survey.  
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

	LGIM Matching Plus						
	Leveraged swap funds*			Leveraged gilt funds*		Single stock funds	
	Fixed	Inflation	Real	Index-linked gilts	Gilts	Index-linked gilts	Gilts
2016-2020	2020 (7.0x)	2020 (6.0x)	2020 (5.1x)			2019 2018 Mar 2019 Sept 2019 2020	
2021-2025	2025 (6.3x)	2025 (4.2x)	2025 (5.0x)	2024 (3.4x)		2024 Mar 2022 Sept 2022 2023 2024	
2026-2030	2030 (4.2x)	2030 (3.4x)	2030 (4.1x)	2030 (3.6x)		2027 2030	2027
2031-2035	2035 (4.7x)	2035 (3.0x)	2035 (3.4x)	2034 (2.7x)		2032 2035	2034
2036-2040	2040 (3.9x)	2040 (2.8x)	2040 (3.5x)	2037 (2.4x) 2040 (2.8x)	2038 (3.2x)	2037 2040	2038
2041-2045	2045 (2.7x)		2045 (2.5x)	2042 (2.1x)	2042 (3.0x) 2045 (3.8x)	2042	2042
2046-2050	2050 (2.5x)	2050 (2.0x)	2050 (2.5x)	2047 (2.5x) 2050 (2.1x)	2049 (2.7x)	2047 2050	2046 2049
2051-2055	2055 (2.1x)		2055 (1.8x)	2055 (1.6x)	2055 (2.5x)	2055	2055
2056-2060	2060 (1.8x)	2060 (1.5x)	2060 (1.7x)		2060 (2.3x)	2058	2060
2061-2065				2062 (1.2x)		2062	
2066-2070				2068 (1.3x)	2068 (1.8x)	2068	2068

\*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 predominantly 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](http://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.

This information is produced by Legal & General Investment Management (LGIM). The instruments used have a range of different risk profiles and these should be understood by pension schemes before making any investments. Pension schemes should ensure they obtain suitable professional advice. The information contained in this document is not intended to be, nor should be, construed as investment advice nor deemed to be suitable to meet the needs of pension schemes.

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