For professional clients only.
Capital at risk.

This is a marketing communication. Please refer to the prospectus of the fund and to the key investor information document before making any final investment decisions.

L&G US Securitised Funds

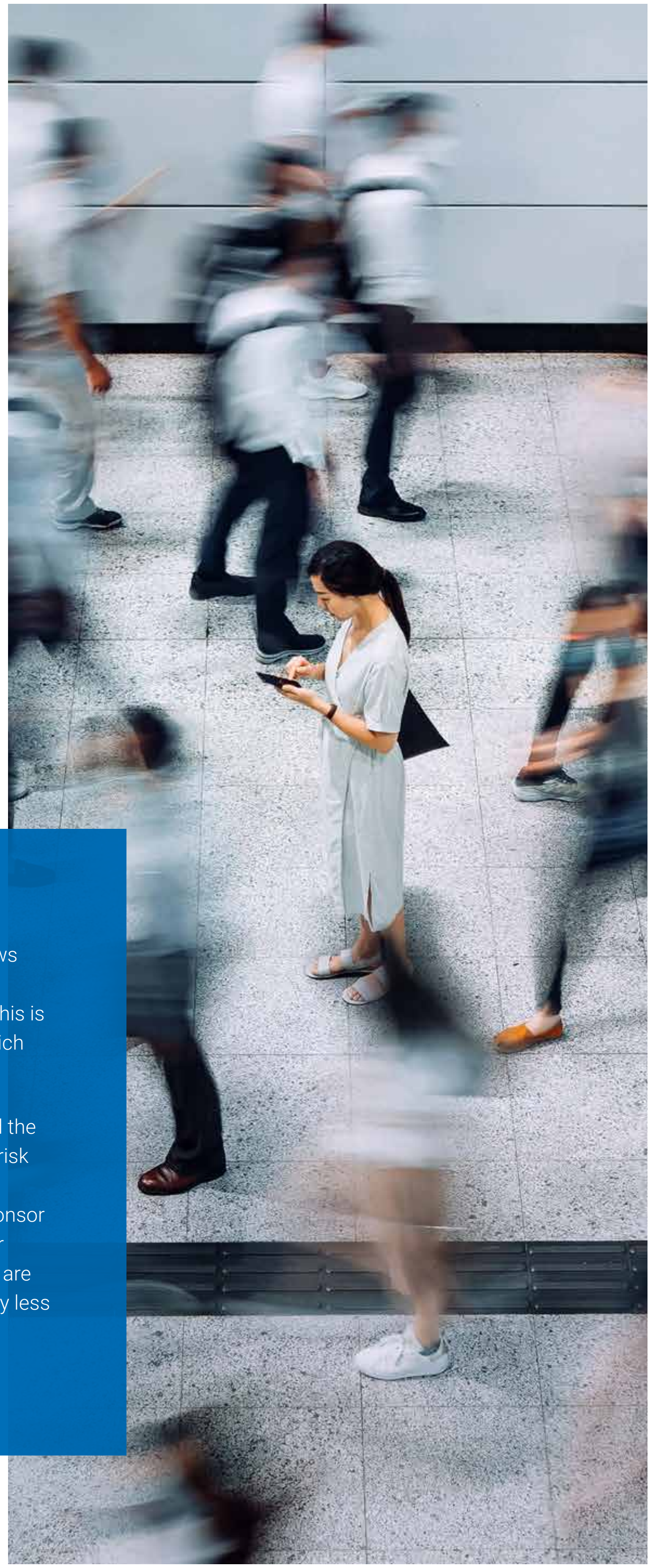
Actively managed funds investing across US investment grade securitised credit

LGIM

The market and regulatory backdrop have shifted significantly for DB schemes amid higher funding levels and the potential to target benefit uplifts for members via surplus extraction. In this vein, many schemes are seeking to balance the ongoing need for funding level stability with a desire to invest for growth in a diversified way over the medium to long term.

In our view, allocating to US securitised credit could form part of an enhanced liquidity solution, perhaps as a component of a collateral waterfall allocation, supporting an LDI portfolio. However, we also believe it could help clients who are looking to target income levels and long-term growth in excess of traditional fixed income assets.

DB scheme investors are typically looking to build portfolios that – in addition to generating cashflow to pay pensions as they fall due – offer a broad pool of liquidity with varied return drivers that are diversified across several asset types and regions. Our view is that US securitised credit is well placed to aim to offer a diverse source of liquidity that schemes could look to draw upon in the event of unknown cashflow requirements, in a range of different market environments.



What is securitised credit?

Securitised credit refers to bonds backed by the cashflows from a dedicated pool of financial assets which include, property, asset-backed securities and corporate loans. This is the key differentiating factor versus traditional credit, which are general obligations of the sponsoring entity.

Securitisation allows for both the financing of assets and the transfer of risk from sponsor to investor. The transfer of risk away from the sponsor using a special purpose vehicle enables the assets to be ring-fenced in the event of a sponsor default. Securitised credit is typically sold in tranches per capital structure, investors senior in the capital structure are entitled to the cashflows first and are therefore potentially less exposed to losses on the underlying assets.

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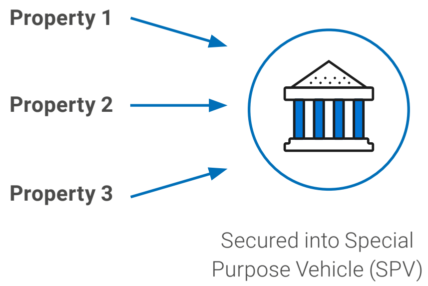
Example pools of financial assets in the fund

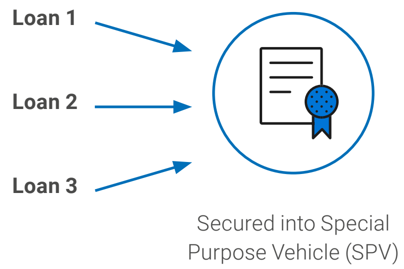
Property

- Commercial and residential mortgages
- Bond cashflows flow directly from dedicated pool of mortgage payments
- Bonds backed by property assets



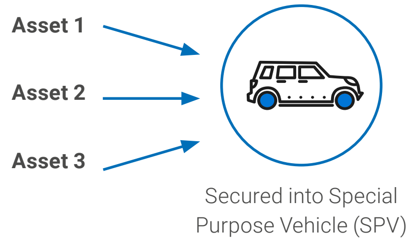
Corporate loans

- Loans to diversified pool of medium-sized companies
- Loans secured on company assets
- Loans are pooled together



Asset-backed

- Bonds backed by specific asset finance
- Examples include: cars, trains, machinery
- Assets available as collateral



Source: LGIM as at 31 July 2024.

Key features

- Bond cashflows paid directly by underlying tangible assets
- All bonds are backed by the tangible assets
- Assets are ring-fenced in the event of default
- Securities are tranched
- Securitised assets bought within the LGIM strategies are public and daily traded

The L&G US Securitised Fund and the L&G US Securitised Plus Fund are actively managed portfolios investing across US investment grade securitised credit opportunities. Investors seeking liquidity and return potential can select from one of two funds based on risk/return requirements.

	L&G US Securitised Fund	L&G US Securitised Plus Fund
Performance objective	Long-term capital growth and income	Long-term capital growth and income
Fund description	Short-duration, high-quality blend of securities with high liquidity	Low-duration, with a broader credit risk exposure, seeking a higher expected return potential
Fund vehicle	UCITS	UCITS
Credit quality	Min. 80% of its net assets in US dollar-denominated fixed income securities, with an 80% min. allocation to AAA and AA rated securities.	Min. 80% of its net assets in US dollar-denominated fixed income securities, with a diversified allocation to investment grade rated securities
Benchmark	Secured Overnight Financing Rate (Cash)	Bloomberg US Agg ABS Index
Investment universe	• Asset-backed securities • Property • Corporate loans • Government bonds	• Asset-backed securities • Property • Corporate loans • Government bonds
Duration	Up to 1.5 years	Up to 3 years
SFDR category	Article 8. Proprietary ESG methodology utilised	Article 8. Proprietary ESG methodology utilised
Base currency	US dollars (hedged share classes available for other currencies)	US dollars (hedged share classes available for other currencies)

Source: LGIM, 7 August 2024. **The Information is provided for information only and does not intend to promote environmental or social characteristics. The Information does not confirm, guarantee, or otherwise affect the status or categorisation of this product for the purpose of the Sustainable Finance Disclosure Regulation (Regulation (EU) 2019/2088). Whilst LGIM has integrated Environmental, Social, and Governance (ESG) considerations into its investment decision-making and stewardship practices, this does not guarantee the achievement of responsible investing goals within funds that do not include specific ESG goals within their objectives.**

2024 | L&G US Securitised Funds

Key potential benefits

Stability

In addition to the backing of a ring-fenced asset pool, the asset class is focused on shorter-duration and primarily invests in investment grade, typically lower-credit-risk investments.

Liquidity

Securitised credit is a large, deep market, which is traded in heavy volumes by a diverse mix of asset owners such as money managers, pension funds, hedge funds, banks and insurance companies.

Diversification

Given the varied range of asset backing, the asset class is not only diversified[1] in its own right, it offers investors an alternative to pure corporate credit exposure.

Research premium

With a specialist skillset required to access the securitised universe and provide due diligence on the assets, the market potentially offers a notable yield pick-up versus other assets with a similar credit rating.

Historically, US securitised credit has typically offered a higher spread than traditional investment grade (IG) credit for a similar credit rating profile[2] which can complement portfolios seeking to increase overall yield levels.

Why LGIM for securitised credit?

Experience

With a history of default risk mitigation, we have been successfully managing securitised investments for over 15 years through our own annuity book as well as a component of the L&G Absolute Return Bond Strategy.

US-focused

We have an established presence in Chicago and the experienced securitised team is supported by the expertise of the wider LGIM teams.

The US securitised market (€ 10.8 trillion) is large in comparison to the European securitised market (€ 1.2 trillion),[3] the traded volumes are also higher for the US market which provides greater depth to the market and less volatility in turbulent times.

Furthermore, the asset owners in the US market are more diverse and span money managers, pension funds, hedge funds, bank and insurance portfolios versus the UK and European markets which are heavily traded by LDI portfolio managers only.

US securitised assets could help DB pension schemes to build a diverse and more stable liquidity pool compared to traditional portfolios based solely on investment-grade credit and gilts.

1. **It should be noted that diversification is no guarantee against a loss in a declining market.**
2. Source: Bloomberg, LGIM as at 31 May 2024
3. Source: AFME, as at 31 March 2024 report – figures represent total market outstanding

The value of an investment and any income taken from it is not guaranteed and can go down as well as up, and the investor may get back less than the original amount invested. Past performance is not a guide to future performance.

Our proprietary ESG approach

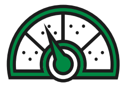
Our ESG process utilises LGIM's best-in-class sustainable toolkit. We aim to offer a focussed approach to assist DB pension schemes in seeking to enhance their portfolio return and sustainability profile.

Securitised Universe

1

Universe filter

- Higher-quality assets
- Credit-focussed
- Lower maturity profile



2

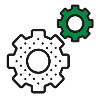
ESG scores

- Proprietary ESG assessment for each eligible investment
- Each investment is assigned a **Red** / Neutral / **Green** rating
- No **Red** rated investments allowable within the portfolio
- A minimum of 5% investments to be **Green** rated

3

Fundamental credit analyst view

- Understand income producing asset
- Understand the structural features of the asset
- Provide research view on not only the asset, but also which parts of the asset are suitable
- Ongoing engagement with originators to improve disclosure and standards



4

Portfolio construction

- Macro view determines risk appetite and favoured sectors
- Investment objectives refines list of favoured assets into suitability for portfolios
- Ongoing review of each asset, to ensure we remain comfortable with each holding

Source: LGIM.

Whilst LGIM has integrated Environmental, Social, and Governance (ESG) considerations into its investment decision-making and stewardship practices, this does not guarantee the achievement of responsible investing goals within funds that do not include specific ESG goals within their objectives.

Meet the team

The experienced LGIMA US securitised team below is supported by broader LGIM resources. The team has been managing securitised strategies for over 15 years.

Portfolio Management

Michael Russell
Portfolio Manager

Joseph Tomczak
Head of Credit Solutions

Tim Bacik
Head of Investment Grade Portfolio Management

Credit Research

Alec Duchatellier
Head of Securitised Research

Eric Fink
Research Analyst

Jason Ivy
Associate Research Analyst

Priya Joshi
Senior Securitised Research Analyst

Trading

Ryan Raymond
Head of US Trading

Lucas Busch
Senior Trader, Credit

Nick Devine
Senior Trader, Credit

Paul Yin
Associate Trader, Credit

Luke Denlinger
Trader, Credit

Source: LGIM, as at 31 May 2024.

About LGIM

We are LGIM, the global asset management business of Legal & General Group. Our purpose is to create a better future through responsible investing. We strive to achieve this through a strong sense of partnership with our clients, working together to achieve positive long-term outcomes.

We draw on industry-leading expertise to innovate constantly across public and private assets, index and active strategies. And we are a responsible investor, rising to the challenges of a rapidly changing world.

Legal & General Investment Management is one of Europe's largest asset managers and a major global investor, with assets under management of £1,122 billion*. *Source: LGIM internal data as at 30 June 2024. The AUM disclosed is shown on the basis of client direct investments and excludes any double count from fund of fund holdings. The AUM includes the value of securities and derivatives positions.

Contact us

For further information about LGIM, please visit lgim.com or contact your usual LGIM representative

Key risks

The value of investments and the income from them can go down as well as up and you may not get back the amount invested. Past performance is not a guide to future performance.

We may take some or all of the ongoing charges from the Fund's capital rather than the fund's income. This increases the amount of income, but it reduces the growth potential and may lead to a fall in the value of the fund.

The fund may have underlying investments that are valued in currencies that are different from USD. Exchange rate fluctuations will impact the value of your investment. Currency hedging techniques may be applied to reduce this impact but may not entirely eliminate it.

Investment returns on bonds are sensitive to trends in interest rate movements. Such changes will affect the value of your investment.

The fund invests directly or indirectly in bonds which are issued by companies or governments. If these companies or governments experience financial difficulty, they may be unable to pay back some or all of the interest, original investment or other payments that they owe. If this happens, the value of the fund may fall.

The fund could lose money if any institutions providing services such as acting as counterparty to derivatives or other instruments, becomes unwilling or unable to meet its obligations to the fund.

Derivatives are highly sensitive to changes in the value of the asset on which they are based and can increase the size of losses and gains. The impact to the fund can be greater where derivatives are used in an extensive or complex way.

This fund holds bonds that are traded through agents, brokers or investment banks matching buyers and sellers. This makes the bonds less easy to buy and sell than investments traded on an exchange. In exceptional circumstances the fund may not be able to sell bonds and may defer withdrawals, or suspend dealing. The Directors can only delay paying out if it is in the interests of all investors and with the permission of the fund depositary.

Prices of the ABS/MBS may be volatile, and will generally fluctuate due to a variety of factors that are inherently difficult to predict. In addition, the terms of the ABS/MBS may restrict its sale in particular circumstances.

The risks associated with each fund or investment strategy should be read and understood before making any investment decisions. Further information on the risks of investing in this fund is available in the prospectus at https://www.lgim.com/fundcentre

Important information

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This document does not explain all of the risks involved in investing in the fund. No decision to invest in the fund should be made without first reviewing the prospectus, key investor information document and latest report and accounts for the fund, which can be obtained from https://fundcentres.lgim.com/.

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