



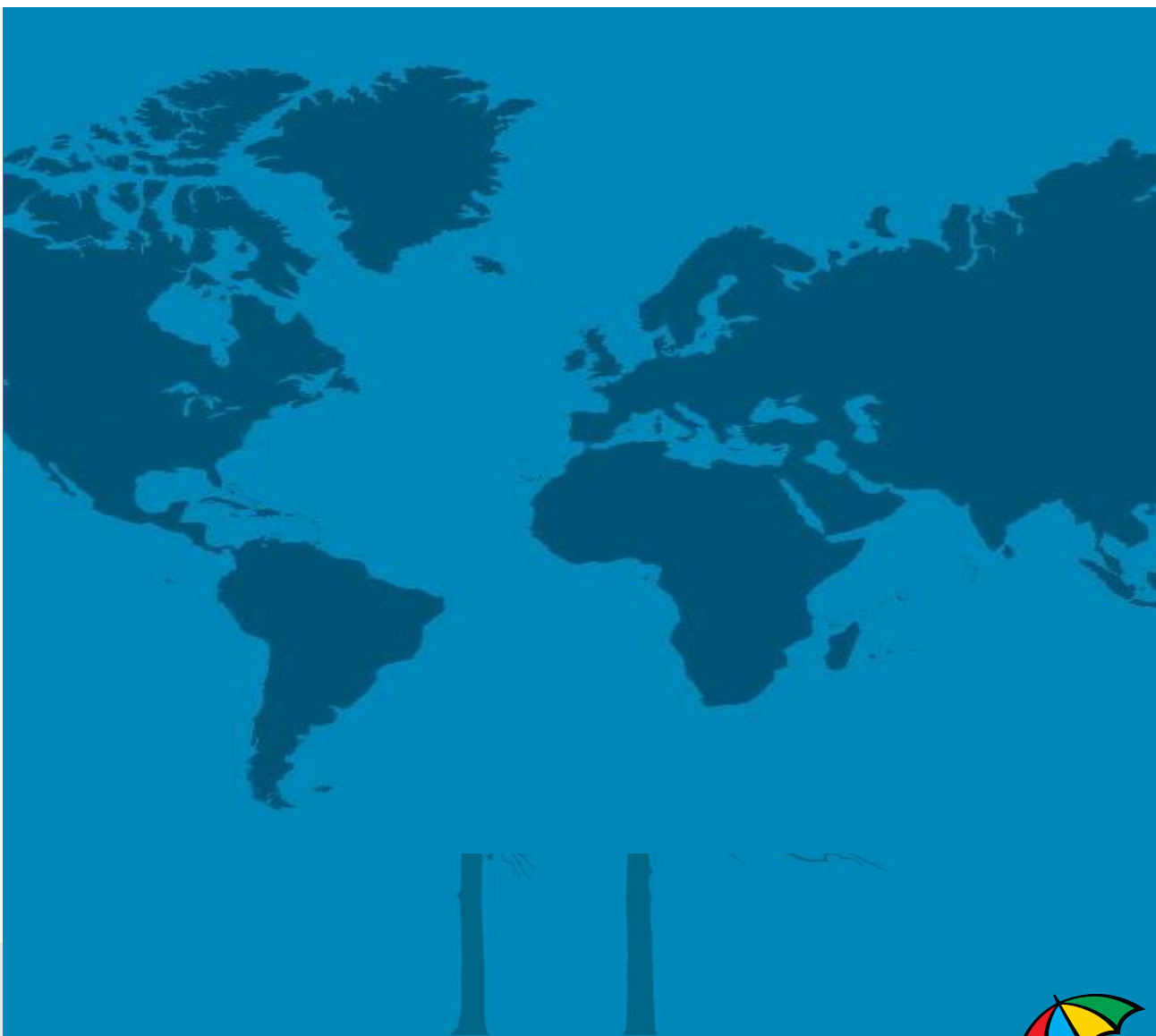
## Brochure / Form ADV 2A

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**LGIM International Limited.**



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## Introduction

LGIM International Ltd. ("LGIMI") is an investment adviser registered with the U.S. Securities and Exchange Commission ("SEC") and authorised and regulated by the Financial Conduct Authority ("FCA") in the UK. This brochure provides information about the qualifications and business practices of LGIMI and is our Form ADV Part 2A. If you have questions about the contents of this brochure, please contact us at +44 (0)203 124 3942 or e-mail [mary-ann.colledge@lgimi.com](mailto:mary-ann.colledge@lgimi.com).

**The information in this brochure has not been approved or verified by the SEC or any state or foreign securities authority. Registration does not imply that LGIMI, or its associates, have attained a certain level of skill or training. We encourage you to visit the SEC's Investment Adviser Public Disclosure ("IAPD") for more information about LGIMI. The IAPD web address is [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## Item 2 – Material Changes

This Brochure was last updated on May 23, 2013. The changes included herein include an enhanced description of LGIMI and LGIMA sub-advisory relationships for High Yield and Index Strategies disclosed in Item 4 and Item 10.

Pursuant to SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may provide other ongoing disclosure information about material changes as necessary.



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## Item 3 – Table of Contents

Introduction.....	3
Item 2 – Material Changes.....	3
Item 3 – Table of Contents.....	5
Item 4 – Advisory Business.....	6
Item 6 – Performance-Based Fees and Side-By-Side Management.....	8
Item 7 – Types of Clients .....	8
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	8
Item 9 – Disciplinary Information.....	10
Item 10 – Other Financial Industry Activities and Affiliations .....	10
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	13
Item 12 – Brokerage and Trading Practices .....	14
Item 13 – Review of Accounts.....	17
Item 14 – Client Referrals and Other Compensation.....	17
Item 15 – Custody .....	17
Item 16 – Investment Discretion .....	17
Item 17 – Voting Client Securities.....	18
Item 18 – Financial Information.....	19

## Item 4 – Advisory Business

### A. Description of the Advisory Firm

LGIMI is a United Kingdom-based investment management company. LGIMI is a wholly owned subsidiary of Legal & General Investment Management (Holdings) Ltd ("LGIM(H)"), a company incorporated under the laws of England and Wales. LGIM(H) is a wholly owned subsidiary of Legal & General Group Plc ("Legal & General"), a publicly-traded company in the UK. LGIMI is also a direct affiliate of Legal & General Investment Management America, Inc. ("LGIMA"), a Chicago-based adviser regulated by the SEC, and Legal & General Investment Management Ltd ("LGIM"), a London-based adviser authorised and regulated by the FCA. These relationships are discussed further in Item 10.

### B. Types of Advisory Services

We provide investment management services on a fully discretionary basis to U.S. clients. We offer these services to clients through separately managed accounts. Our focus is on index tracking strategies and high yield bonds and our investment strategies are described below in Item 8. In this brochure, we use the terms "Client" to refer to the U.S. clients of LGIMI, "non-U.S. Client" to describe all other clients of LGIMI and "client" to include both types of client. Please see Item 7, below, for a description of the types of clients that we service.

This brochure has been produced for our Clients in compliance with requirements under the U.S. Investment Advisers Act of 1940 ("Advisers Act"), not for our non-U.S. Clients. It explains the services that we offer to Clients.

We offer Index Tracking investment strategies ("Index Strategies") and High Yield active fixed income strategies ("HY Strategies") through the management of separately managed accounts and/or through an affiliate sub-advisory relationship with LGIMA. From time to time, LGIMI and LGIMA may delegate discretionary advisory services to each other via sub-advisory agreements between them. We may use the services of our affiliate, LGIM, to assist us in this, under the terms of a Participating Affiliate Agreement ("PAA") based on guidance in no-action letters issued by the SEC Staff.

### C. Client Tailored Services and Client Imposed Restrictions

At the start of the relationship, we and our Client agree upon the investment objectives and appropriate levels of risk and/or restrictions on investments. These are set forth in an investment management agreement ("IMA"). Under the IMA, we or LGIMA where assets are sub-advised, assume discretionary responsibility for the day-to-day management and investment of all securities, cash and other investment instruments agreed upon with the Client. Based upon this, we define the asset mix that we believe is most likely to achieve the investment objectives, select investments, execute transactions and generally manage the Client's assets.

### D. Participation in Wrap Fee Programmes

We do not participate in any Wrap Fee programmes.

## E. Amounts Under Management

As of February 14, 2014, the most recent date for which calculations are available, we manage the following assets for clients.

Discretionary Assets	US \$462,012,120
Non-Discretionary Assets	
<b>Total</b>	<b>US \$462,012,120</b>

## Item 5 – Fees and Compensation

### A. How We Are Compensated for Advisory Services

Fees are subject to negotiation. The negotiation of fees may result in similarly situated clients paying different fees for comparable advisory services.

We generally charge a fee expressed as a percentage of the total value of the assets that we manage (“AUM”), generally determined at the end of each month (or quarter), though we may also charge a fixed-based fee. The fees we charge vary based on the investment strategy employed and other factors. There will be a minimum initial investment which will generally be \$100 million or more for segregated mandates.

We offer reduced fees to affiliates that provide us with assets to manage, and may offer reduced fees to certain large or strategic investors.

#### 1. Index Strategy Fee Schedule (minimum AUM \$100m)

For Clients who choose an Index Strategy, the fees range from 1 basis point (0.01%) to 25 basis points (0.25%).

#### 2. Global High Yield Fee Schedule (minimum AUM \$100m)

First \$50MM	65
Next \$100MM	60
Thereafter (\$150MM+)	55

Where appropriate the Client pays us that fee and we, in turn, pay a portion of our fee to LGIMA. In instances where LGIMA has sub-advised the management of Index Strategies or HY Strategies to LGIMI, LGIMI will receive a portion of LGIMA’s fees pursuant to its sub-advisory agreement.

### B. Payment of Fees

Fees are generally payable either monthly or quarterly in arrears, according to the terms of the IMA.

### C. Clients Are Responsible for Third-Party Fees

Fees are exclusive of brokerage commissions, “spreads,” transaction fees and other related costs and expenses: these are incurred by the Client. Clients may incur certain charges imposed by custodians, brokers and other service providers such as custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, duties or stamp duties, wire transfer and electronic fund fees and other fees and taxes on brokerage accounts and securities transactions.

#### D. Prepayment of Fees

We do not require the prepayment of fees.

#### E. Outside Incentives for Recommendations of Securities

We do not accept any compensation from third parties for the sale of securities. All compensation received by us comes from Clients, as described above.

## Item 6 – Performance-Based Fees and Side-By-Side Management

We do not have any performance-based fee arrangements with Clients.

## Item 7 – Types of Clients

LGIMI will provide discretionary investment advisory services to clients that wish to engage in Index Strategies or HY Strategies. These are institutions, primarily pension funds, and may be subject to the U.S. Employee Retirement Income Security Act of 1974 ("ERISA"). The non-U.S. Clients for whom we manage assets may be the same types of organisations but are not subject to ERISA.

## Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

#### A. Methods of Analysis and Investment Strategy

Portfolio construction begins with consideration of the Client's investment objectives with respect to risk and potential returns. Once this occurs, the Client's portfolio is grouped into a composite with those of other clients, if any, with similar investment objectives, guidelines, restrictions and benchmarks. This process helps the Portfolio Management Teams define the universe of acceptable securities to be considered for investment. Assets are purchased on the basis of and subject to the investment objectives and restrictions in the Client's IMA. The IMA stipulates the allowable types of investments and permissible ratings, concentrations and restrictions. The team reviews the IMA to ensure that it understands what it can and cannot do. It maintains communications with Clients to ensure that it processes properly and timely every change to the IMA, including investment objectives and restrictions. Every decision to buy or sell is taken within the parameters of the investment objectives and restrictions.

Investment decisions with respect to issuer and specific bond exposures are a joint responsibility of our two teams, the Portfolio Management and the Credit Research Teams. The Credit Research Team specializes in different sectors, industries, and asset classes. The analysts in the Credit Research Team review financial results, management strategy, asset protection, covenants, collateral and relative valuations, and other factors, in formulating their recommendations. The Credit Research Team analysts and Portfolio Management Team members stay in constant communication about changes in research opinions and market dynamics. Portfolio managers regularly consult with the Credit Research Team when considering transactions.

The securities and instruments in which we invest on behalf of clients include corporate bonds, preferred stock, municipal securities, sovereign debt, treasury debt, agency debt, credit derivatives, interest rate derivatives, money market instruments, commercial paper, asset backed securities (ABS) of all types including asset-backed commercial paper, credit card ABS, auto ABS, student loan ABS, commercial mortgage ABS and residential mortgage ABS (agency, non-agency, subprime, Alt-A), futures contracts, swaps and other derivative instruments, along with certificates of deposit.



For Clients wishing to pursue an Index Strategy, the product focus is on segregated portfolios of equity index tracking investments, principally non-U.S. (tracking MSCI and/or FTSE indices or similar) and U.S. domestic (tracking S&P and/or Russell indices or similar). We also offer bond tracking investments, to the extent that these are required. All investments will be managed on a discretionary basis. Investment managers will have the discretion to invest in shares (ordinary and preferred), depositary receipts (both American and Global), warrants, collective investment schemes, convertibles, government bonds, Eurobonds, commercial paper, certificates of deposit and exchange traded futures and options (both single stock and index). These will be traded on those venues and with those counterparties judged to give best execution. There will be no OTC derivatives other than forward foreign exchange trades used for hedging purposes.

**“Investing in securities involves risk of loss that clients should be prepared to bear.”**

**B. Material Risks Involved**

**General Investment Risks:** All investors bear certain risks when investing their money, regardless of the asset class, sector or instrument chosen. Securities or other financial instruments may fluctuate in value or lose value or may expose a client account to counterparty risks. While we seek to manage such risks, there can be no guarantee that we will be successful or that a Client account will not suffer losses.

**Fixed Income Market Risk:** Fixed income securities' value generally increase or decrease based on changes in interest rates. If interest rates increase, the value of fixed income securities is highly likely to decline. On the other hand, if rates fall, the value of the fixed income securities is highly likely to increase. The longer a fixed income instrument's duration, the greater the impact a change in interest rates can have on its price.

**C. Risks of Specific Securities Utilised**

**Fixed Income Securities:**

**Call Risk, Prepayment Risk:** A callable fixed income security allows the issuer to call, or repay, the security early. Declining interest rates may accelerate the redemption of a callable security, causing an investor's principal to be returned sooner than expected. In that scenario, investors have to reinvest the principal at the lower interest rates. For, particularly, mortgage-backed securities, the risk exists that declining interest rates or a strong housing market will cause mortgage holders to refinance or otherwise repay their loans sooner than expected and thereby create an early return of principal to holders of the loans.

**Credit Risk:** Some fixed income securities carry the risk of default and/or downgrades over time. If an issuer defaults, it would be unable to pay scheduled interest and principal payments. Thus, an investor who experiences a default is highly likely to experience a loss in value. Fixed income securities can also be subject to a decline in credit ratings. As these ratings are one of the bases the market uses to price risk, a decline in the credit rating often leads to a decline in the market value of the security.

**Issuer Risk:** The value of a fixed income security may decline because of negative events or circumstances that directly relate to conditions at the issuer, its affiliates or to any entity providing it credit support.

**Asset-Backed Securities:** Asset-backed securities may decline in value when defaults on the underlying assets (e.g. mortgages, student loans etc.) occur and these securities may exhibit increased volatility in periods of changing interest rates. When interest rates decline, the resulting prepayment of mortgages or assets underlying such securities may result in diminished returns.

**Derivatives:** We may invest client assets in exchange-traded derivatives, including, but not limited to, stock and index futures, primarily for hedging purposes or dividend enhancement strategies. Over-the-counter derivatives are confined to foreign exchange forwards for hedging purposes. These instruments can be highly volatile and expose clients to a risk of loss. The low initial margin deposits normally required to establish a position in such instruments permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in unquantifiable further loss exceeding any margin deposited. Over-the-counter derivatives also involve counterparty solvency risk and the risk that a buyer may not be able to be found, given the lack of an exchange market.

**Counterparty risk:** Derivative transactions involve counter-party credit risk and will expose clients to possible unanticipated losses to the extent that counter-parties are unable or unwilling to fulfil their contractual obligations.

## **Item 9 – Disciplinary Information**

There are no legal or disciplinary events that are material to a Client's or prospective Client's evaluation of LGIMI's advisory business or the integrity of LGIMI's management.

## **Item 10 – Other Financial Industry Activities and Affiliations**

Our sole business is providing discretionary investment advisory services to clients, directly or with the services of LGIMA. We are not engaged in any other business endeavour.

### **A. Registration as a Broker-Dealer or Broker-Dealer Representative**

Neither we, nor any management person, are registered in the United States as a broker-dealer or as representatives of a broker-dealer.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator or a Commodity Trading Advisor**

Neither we nor any of our management persons are registered as an FCM, CPO or CTA.

### **C. Relationships Material to this Advisory Business and Conflicts of Interests**

As noted above, we are a wholly owned subsidiary of LGIM(H) which, in turn, is a wholly owned subsidiary of Legal & General. We are an affiliate of LGIM and LGIMA, both of which are "Related Persons" as this term is defined and used in Form ADV. We identify our Related Persons in our Form ADV Part 1.

We manage certain assets of Legal & General companies ("L&G Assets") under sub-advisory investment management agreements with LGIM and LGIMA. The L&G Assets consist of assets from portfolios of the following Legal & General companies:

- Legal & General Assurance (Pensions Management) Limited
- Banner Life Insurance Company (Maryland)
- William Penn Life Insurance Company of New York

Activities with our Parent, LGIM(H), and its subsidiaries

The activities among LGIMI and LGIM(H) (and any LGIM(H) subsidiary, including LGIM and LGIMA) are the following.

1. LGIM(H) controls, but does not supervise, LGIMI. LGIMI has a Chief Executive Officer ("CEO") to supervise LGIMI, and employs a CCO and staff to implement and enforce LGIMI's compliance policies, procedures and controls.
2. LGIMI manages L&G Assets for LGIM and LGIMA.
3. Certain LGIM(H) officers or directors are officers or directors of LGIMI, including Mark Zinkula, the LGIMI CEO.
4. Under a Service Level Agreement ("SLA") between LGIMI and LGIM(H), LGIM(H) is generally responsible for the pricing and valuation of client assets and the calculation of fees that LGIMI charges its clients, the activities of which are delegated to LGIM. LGIM has an asset pricing framework that sets out the policies and procedures for pricing securities and financial instruments to ensure a fair, accurate and consistent valuation. The approach is to use automated feeds from multiple vendors where practicable. The actual price utilized is governed by a series of hierarchies. The LGIM Asset Pricing and Valuation Committee oversees and approves pricing policies and methodologies across all asset classes. It also has the responsibility for ensuring appropriate procedures are in place to resolve pricing issues as and when they arise. The committee chair and membership are drawn from directors and senior managers within the business. LGIM's Chief Compliance Officer and Head of Operational Risk Management (or delegates) attend this committee. Due to the fact that LGIM is an affiliate of LGIMI, and to address the conflicts of interest arising out of this, controls have been implemented to ensure that the price feeds that are used to value assets are independent from any Legal & General group company and cannot be amended or substituted by LGIM(H), LGIM, LGIMI or LGIMA (although prices can be challenged through a documented, monitored and controlled price challenge process).
5. Under the SLA, LGIM(H), through LGIM, provides certain administrative, IT and operational services to LGIMI. These include the following: administrative (computer data processing, administration of banking, insurance and reinsurance, HR); finance and accounting; IT; taxation, treasury, internal audit, risk, press office and planning services; compliance with group matters (e.g. group wide Schedule 13D/G, Form 13F and 13H filings with the SEC); certain valuation and pricing services (noted above); and the processing of certain derivative transactions, including collateral management. For these services, LGIMI pays LGIM(H) fees via indirect expense allocations.
6. LGIMA may provide discretionary investment management services for some LGIMI Clients whose assets are managed with an Index Strategy or High Yield Strategy. Under this arrangement, our Clients open accounts with LGIMI. We will be responsible for, or LGIMA as our agent, may assist us in, marketing, account opening, negotiating IMAs with Clients and Client take-on. Clients will make their own custodial arrangements. Once an account is opened, LGIMI will, and LGIMA may, provide client facing services to these Clients. Where assets of these Clients are sub-advised to LGIMA, LGIMA will manage the assets of clients in accordance with the LGIMI Agreement and trading for the portfolios will be carried out by LGIMA in regard to HY Strategies or LGIMI in regard to Index Strategies. LGIMI will issue and review all marketing materials for compliance issues, directly or with LGIMA. Middle and back office functions will be performed by LGIM staff.

LGIMI may provide discretionary investment services for certain LGIMA clients. In this case LGIMA will be the contracting party in all IMAs and handle account opening and all related matters. Where assets are sub-advised to LGIMI, LGIMI will manage the assets of clients in accordance with the Client IMA and LGIMI's sub-advisory agreement with LGIMA.

7. Investment research services relating to U.S. high yield assets offered by LGIMA to LGIM. For these services, LGIM pays LGIMA fees via indirect expense allocations.

#### Conflicts of Interest due to these Relationships

LGIMI's policies and procedures, and controls, are intended to address the impact of these and other conflicts of interest. Information barriers exist that limit LGIMI and LGIM(H), and any related person or affiliate of LGIMI, from exchanging advice, recommendations or client positions. However, from time to time, and under the PAA with LGIM, certain individuals working for LGIM will participate in providing Index Strategies or HY Strategies research to LGIMI. Controls will be implemented to address the potential of those individuals to misuse research or information.

The LGIM portfolio managers that from time to time work with LGIMI and LGIMA may be engaged in managing LGIM clients' accounts with an identical or substantially similar investment strategy. This form of side-by-side management of different types of accounts involves conflicts of interest when two or more accounts invest in the same securities or pursue a similar strategy. These conflicts include the potential for favourable or preferential treatment of an account or a group of accounts. Other conflicts may include those related to the allocation of investment opportunities, particularly with respect to securities that have limited availability such as initial public offerings and transactions in one account that follow closely related transactions in a different account (e.g. a purchase of securities for an account after a purchase of the same securities in another account has increased the value of the securities).

Investment results for one account may differ significantly from the results achieved by LGIMI for other accounts, even where the same or similar investment strategies and conditions pertain.

LGIMI and, as sub-investment advisor, LGIMA seek to ensure that all accounts are treated fairly and equitably. Purchase and sale opportunities are allocated equitably. In general, investment decisions for each account are made with specific reference to the stated investment objectives and restrictions. There is no requirement that LGIMI or LGIMA use the same procedures consistently with respect to all accounts. Different strategies and client guidelines and restrictions may lead to the use of different methodologies. Accordingly, LGIMI or LGIMA may exercise investment discretion or take other actions for some clients that may differ from the advice given, or the timing and nature of actions taken, for other clients, provided that LGIMI and LGIMA seek to assure that all clients are treated fairly and equitably. Investment results for different accounts, including accounts that are generally managed in a similar style, may differ as a result of these considerations. Some clients may not participate in certain investments in which other clients participate, or may participate to a different degree or at a different time than other clients do. Accounts are reviewed regularly for performance and other matters. See Item 13 for a discussion of account review.

All aspects of operations under the PAA are monitored in an effort to ensure that no LGIM person other than "associated persons" (persons working for LGIM that assist us under the PAA) are involved in the provision of investment management support, and that Client information is properly safeguarded, segregated and subject to strict controls.

## Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

### A. Code of Ethics

We administer and enforce a Code of Ethics (“Code”) pursuant to Advisers Act Rule 204A-1. This includes provisions to address ethical standards of behaviour, conflicts of interest, personal account trading, the reporting of violations of the Code and other requirements. We treat all employees and persons engaged with us as “access persons” and “supervised persons”, as defined in the Advisers Act and Rule 204A-1. Certain provisions of the Code cover “connected persons” of access persons (family members living in their households and sharing beneficial ownership of securities). Associated persons are subject to certain requirements of the Code, including record keeping and personal account trading pre-clearance.

Key areas covered by the Code are:

- prohibition against the misuse of material non-public information;
- personal trading rules (pre-clearance, reporting and analysis);
- limits on and reporting of gifts and entertainment;
- dealing with conflicts of interest;
- respecting LGIMI corporate and client confidential information;
- establishing standards of behaviour; and
- requiring the reporting to the Chief Compliance Officer of any violations of the Code.

Where LGIMA through a sub-advisory agreement, manages High Yield or Index Strategy assets for certain clients, we coordinate the monitoring of personal trading activities of LGIMI’s Access Persons, and the Associated Persons of LGIM and/or LGIMA who are involved with this (under the supervision of LGIM), with our activities with respect to our own Access Persons.

This is a summary of our Code. We will provide you with a copy of our Code upon request.

### B. Recommendations Involving Material Financial Interests

LGIMI will not engage in proprietary trading.

### C. Investing Personal Money in the Same Securities as Clients

Personal investment trading may only be undertaken consistent with our Code, which contains controls intended to prevent our personnel from investing in conflict with the interests of Clients.

### D. Trading Securities At/Around the Same Time as Clients’ Securities

From time to time, under certain unusual circumstances, LGIMI personnel may buy or sell securities for themselves at or around the same time as Clients.

**It is the express policy of LGIMI that no access person or associated person shall breach a fiduciary duty owed to a Client, place his or her own interests ahead of those of a Client or make personal investment decisions based on the investment decisions or orders being worked for Clients.**

## Item 12 – Brokerage and Trading Practices

### A. Trading

As noted above LGIMA may manage the assets of our clients for High Yield Strategies. In these cases, LGIMA manages the portfolios and executes the trades. A discussion of how LGIMA operates is contained in its Form ADV Part 2A, a copy of which is given to those of our Clients whose assets are sub-advised to LGIMA when they open an account, annually, and in the event of a material amendment to the disclosures contained therein.

Where LGIMA manages assets for Index Strategies for our Clients, orders are routed back to LGIMI for execution. The remainder of the discussion in this Item 12 pertains to how LGIMI manages execution of these assets and all other assets managed by LGIMI which are routed to LGIM under a Dealing Services Agreement.

Selection: We receive authority from our clients pursuant to IMAs which authorize us to select broker-dealers and counterparties through which to execute transactions on behalf of our Clients. We are generally not required to provide notice to, consult with or seek the further consent of Clients prior to engaging in transactions.

All counterparties must satisfy our credit, contractual and best execution standards to qualify for the list of approved brokers. LGIM's Counterparty Credit Sub-Committee is responsible for ensuring that the list is monitored and reviewed at least quarterly. Greater frequency of review is dependent on LGIM's risk assessment of the counterparty.

Best Execution: The Trading Desk will obtain best execution which will be independently monitored periodically by Compliance. When deciding how and where best to execute an order, we will take into consideration a range of factors including price, size and the nature of the order, transaction costs, speed and likelihood of execution, settlement efficiency, client order priority rules or any other factor deemed relevant to the execution of the order.

The choice of the venue for the execution will also be dependent upon the characteristics of the financial instrument underlying the order and the functional capabilities of the venue itself. Generally, price will merit a high relative importance in obtaining the best execution. However, in some circumstances it may appropriately be decided that other execution factors should be given more prominence.

To minimise total transaction costs our dealing methods for trading in securities and currencies are, in order of preference, as follows:

- **EQUITIES**

Crossing trades - in the search for natural sources of liquidity, we look for crossing opportunities with other funds both internally and by using external crossing networks, particularly for smaller and medium size company stocks which tend to suffer from less liquidity and wider dealing spreads. Crossing is carried out at the ruling mid-market price or local equivalent where permitted by relevant laws and regulations e.g. the Advisers Act and ERISA.

Principal programme trades - in this type of trade, competing market counterparties commit themselves to execute the whole basket of stocks as a block trade, normally on a blind basis, dealing at prices prevailing at a specified time in the future. The winning counterparty's charge represents the total dealing costs of the transaction to cover price impact, opportunity cost and commission.

Market trades - these are executed on a negotiated commission basis either through brokers (or equivalent local market specialists) or directly by using a "Direct Market Access" (DMA) platform. DMA

transactions are by definition of an “agency” nature, while a broker-led transaction may be either an “agency” or a “principal” trade. At times, it may be judged more effective to ask for capital commitment from a broker in executing an order in which case the broker will be acting as a principal. Market conditions and characteristics of an order determine the capacity in which the broker is used in order to minimise total transaction costs including market impact.

- **BONDS/DERIVATIVES**

Crossing trades - in the search for natural sources of liquidity we look for internal and external crossing opportunities with other funds. End of day crossing is carried out at the official/independent closing price. Intra-day crossing is carried out at the middle market price generally sourced from three independent market counterparties. Crossing is only carried out where permitted by relevant laws and regulations e.g. the Advisers Act and ERISA.

Market trades - market practice is for bond and derivative orders to be executed on a net basis where the price quoted is inclusive of all dealing costs. Competitive bids and offers are obtained from market makers to secure the best price. Electronic trading platforms, such as TradeWeb, enable us to perform this task more effectively by inviting a number of approved counterparties to this auction process.

- **FOREIGN EXCHANGE**

Netting trades - we net or aggregate foreign exchange trades where appropriate to do so. We would expect to trade the net amounts where similar trades can be joined together to minimise transaction costs.

Market orders - market practice is for institutional foreign exchange deals to be executed on a net basis. Competitive bids and offers are obtained from banks to secure the best price for the size of deal required.

We make extensive use of electronic trading platforms, such as FXall. This enables us to invite bids and offers from a number of counterparties simultaneously and obtain the most competitive price, while using electronic trading platforms' full suite of controls and efficiencies.

- **MONEY MARKETS**

For money market trades, we monitor internal and external limit requirements and have robust systems in place to do this.

- **NET TRADES**

To ensure transparency, we confine net trading to only those areas dictated by market practice, e.g. bonds, derivatives, currencies, new issues, placings, and certain trades where the counterparty acts purely as a market maker.

Monitoring and Evaluation: It is our normal practice to carry out post trade analysis to monitor the quality of execution. Depending on the market this may involve systematic comparisons of execution prices with respect to average prices, open/closing prices or periodic high/low prices as appropriate. For equities we use ITG's transaction cost analysis (TCA) services and for bonds we use TradeWeb's TCA services. The Trading Desk to monitor the quality of each broker's services and periodically evaluate each for the purposes of deciding whether and to what extent to continue to place trades with such firm, or whether to close a relationship.



Post trade analysis is not applicable to principal programme trades as the basis for the execution price and total transaction costs are established before the trade is carried out. Commissions paid on such trades normally reflect total transaction costs excluding any taxes/stamp duties.

A1a-e. Research and Other Soft Dollar Benefits

We do not have “soft dollar” arrangements, as contemplated by provisions of US securities laws.

A2a-b. Brokerage for Client Referrals

We do not receive client referrals from brokers.

A3b. Client Directed Brokerage

We do not permit client-directed brokerage.

B. Aggregating (Block) Trading for Multiple Client Accounts

The Trading Desk executes orders for both LGIMI and LGIM. In accordance with applicable regulatory requirements, the Trading Desk may execute transactions on an aggregated basis to help obtain best execution and negotiate more favourable commission rates or other transaction costs that might have otherwise been paid had such orders been placed independently. When aggregating orders, we require that all of our clients be treated in a fair and equitable manner. We will instruct the Trading Desk not to aggregate orders unless aggregation is consistent with our duty to seek best execution. As regards ERISA, Client orders may be aggregated with orders involving the proprietary assets of other Legal & General Group companies over which we exercise discretion where it may be proven that LGIM and LGIMI did not derive a benefit from the aggregation not otherwise enjoyed by the ERISA client, or the ERISA client suffers a loss arising from such aggregation. No account will be favoured over any other account; however, a variety of factors are determinative of whether or not a particular client may or may not participate in a particular aggregated transaction. These factors include, but are not limited to: investment objectives and strategies, position weightings, cash availability, and risk tolerance. Because of differences identified above, there may be differences in invested positions and securities held in different client accounts.

Consistent with our fiduciary duties, our policy is to exercise care in making and implementing investment decisions for Client accounts. Under our trading errors policy, to the extent trading errors occur, we seek to ensure that Clients’ best interests are served. Our policy is to resolve all trade errors as quickly as possible while ensuring the Client is not disadvantaged, consistent with the orderly disposition (and/or acquisition) of the securities in question. Actual losses suffered by a Client as a result of a trade error caused by us will be reimbursed by us; however, we do not compensate Clients for lost investment opportunities (e.g., the failure to take advantage of investment or market improvements).

D. Cross Trades

LGIMI reserves the right to identify cross trades with other LGIMI or LGIM clients that are executed through external brokers by the central dealing desk at a minimal cost where the cross trade is in the best interests of both parties to the trade. In addition, the Trading Desk may seek to cross trades through an external broker if opportunities arise. In both instances, such cross trades must satisfy relevant laws and regulations e.g. the Advisers Act and ERISA.



## Item 13 – Review of Accounts

### A. Frequency and Nature of Periodic Reviews and Who is Responsible for Reviews

We maintain continuous scrutiny of our performance, the positions in the accounts we manage and also the consequences of risk. We conduct a daily review of the investment activities in each Client account in an effort to ensure that the assets are managed in conformity with the stated investment objectives and restrictions. Where appropriate, LGIMA works in tandem with us in carrying out these responsibilities.

### B. Factors That Will Trigger a Non-Periodic Review of Client Accounts

We may review Client accounts as a result of major changes in macro- or micro-economic conditions, and material market, economic or political events. Further, changes in regulation may cause us to review client accounts. LGIMA does this with us for those clients whose assets are invested in Index Strategies or High Yield Strategies.

### C. Content and Frequency of Regular Reports Provided to Clients

Clients receive on a monthly or quarterly basis (as agreed with their custodian): (i) statements from their custodian, which include, among other things, the change in value of their accounts since the last reports that were provided and (ii) a list of transactions effected and related data. Clients typically receive on an annual basis, statements from the custodian containing performance information based on an agreed set of procedures.

LGIMI will provide reports via LGIMA for it to send to Clients with information regarding trading activity and holdings. In addition, reports may be provided by LGIMI via LGIMA that are tailored to meet Client-specific requests.

## Item 14 – Client Referrals and Other Compensation

We have not entered into any contractual arrangements or agreements with firms or individuals that may solicit or have solicited Clients for us. Neither we, nor our employees, receive compensation from third parties.

## Item 15 – Custody

Neither LGIMI nor LGIMA has custody of Client funds or securities. Rather, all funds and securities of our Clients will be held with a qualified custodian who is appointed by that Client.

We encourage clients to compare information in our reports to reports provided by the client's qualified custodian and to contact LGIMI, LGIMA or their independent custodian regarding any questions about their account statements.

## Item 16 – Investment Discretion

As discussed above, we have discretionary authority to manage the assets in a Client's account subject to the investment limitations and restrictions set out in the IMA relating to that account. For those Clients whose assets are sub-advised to LGIMA, we delegate discretionary investment management control to LGIMA.

## Item 17 – Voting Client Securities

Our proxy voting policies and procedures are adopted to ensure compliance with Rule 206(4)-6 under the Advisers Act and ERISA requirements. They are designed and implemented in a manner reasonably expected to ensure that proxy voting is exercised in the best interests of Clients. For purposes of these policies and procedures, proxy voting includes any voting rights, consent rights or other voting authority we exercise on behalf of Clients, but shall not include matters which are primarily investment decisions, including tender offers, exchange offers, conversions, put options, redemptions and Dutch auctions.

Where proxy voting is delegated to LGIMI in the IMA, all issues concerning the voting of proxies are considered on a case by case basis in the best interests of Clients taking into consideration any relevant contractual obligations, as well as other applicable facts and circumstances.

We have engaged LGIM to monitor corporate events for us. For Clients other than ERISA clients, we reserve the right to delegate the vote to LGIM. However, for ERISA Clients, we consider the information provided to us by LGIM and, acting on the instructions of such clients, vote the securities.

In certain instances, it may not be possible or in the Client's best interests for LGIMI to vote all proxies concerning corporate actions. This may be because:

- The size of the clients and of the positions held may mean it is uneconomic and not in the client's best interests to vote the proxy;
- Trading strategies employed may mean that positions are held on a short term basis and the periods of ownership may not give rise to voting rights;
- The trading strategy may mean that it is not in the best interests of the client to "block shares" for a certain period as we may wish to be able to dispose of those shares at any time.

We monitor compliance with our policy and report discrepancies via the Risk Management System to the Operational Risk Team and, if appropriate, the Risk, Compliance and Internal Controls Committee with documentation of how the situation will be resolved, who is responsible for resolution and any action needed to prevent reoccurrence.

The full Corporate Governance Policy will be provided to Clients upon request.

We have policies and procedures designed to manage the voting of proxies in the case of securities which may be the subject of a conflict of interest.

We will review each proxy to determine whether voting or not voting the proxy gives rise to a material conflict of interest. As part of this review, we will determine whether the issuer of the security or proponent of the proposal is a Client of ours, or if a Client has actively solicited us to support a particular position. If no conflict exists, we will determine whether to vote the proxy. However, if a conflict does exist, we will seek to resolve any such conflict in accordance with these policies and procedures, failing which the proxy might not be voted or voted in a certain manner. All such situations will be documented.

In the event any conflict of interest may arise, we will disclose the circumstances of any such conflict to Client(s) and in most cases either convene an ad-hoc committee to assess and resolve the conflict, forward the proxy materials to the Client to vote, vote according to recommendation of an independent third-party service provider or take such other action as may be appropriate under the particular circumstances and in compliance with applicable requirements, including ERISA.

It is likely that Legal & General Group Plc shares may be held in index tracking portfolios. In the event of a corporate action involving Legal & General the non-executive directors of LGIM(H) would be fully involved in voting decisions, taking into account the best interests of clients, to include consideration

of the impact on the shares of the bidding company and the insurance sector as a whole. LGIMI and LGIM would also liaise as required with the UK Takeover Panel who has regulatory oversight.

Except to the extent required by applicable law or otherwise approved by LGIMI, we will not disclose to third parties how we voted a proxy on behalf of a Client. However, upon request from an appropriately authorised individual, we will disclose to our Clients or the entity delegating the voting authority to us for such Clients (e.g., trustees or consultants retained by the Client), how we voted such Client's proxy.

## **Item 18 – Financial Information**

We do not have any adverse financial information to disclose.