

OVER 5 YEAR INDEX-LINKED GILTS INDEX FUND

Data to 31 March 2010

Fund Size £18,468 million

Number of Holdings 15

In a Nutshell

- Helps safeguard part or all of your pension account in anticipation of buying an annuity which increases over time in line with inflation
- Tracks the FTSE A Government Index-Linked (Over 5 Year) Index
- Likely to be of specific interest to members nearing their pension date

Glossary

Annuity A pension which guarantees an income for life bought with the cash value of a pension account

Bonds Securities issued by Governments or companies which pay a fixed rate of interest. UK Government bonds are called gilts

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)

Index-linked Inflation-linked, that is directly related to movements in the Retail Price Index

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

Pension date The date on which an individual starts to receive a pension

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 a 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 £315 billion* under management and over 3,113* 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 your Pension Date

The Over 5 Year Index-Linked Gilts Index Fund aims to capture the returns of the UK gilt market. It tracks the FTSE A Government Index-Linked (Over 5 Year) Index and invests in medium and long-term gilts.

Different investment classes have different levels of volatility and risk which means that the levels of return vary greatly. The suitability of one investment class over another therefore changes throughout your working life. This Fund is likely to be of specific interest to members who are nearing their pension date.

Index-linked gilts pay a fixed rate of interest, linked to inflation and have the security of being issued and backed by the UK Government. They offer greater security than equities because their price and therefore their value tends to be less volatile. However, although gilt prices are less volatile their capital value is linked to interest rates and will fall when interest rates are rising and rise when interest rates fall.

Generally, reduced risk means a lower return and index-linked gilt returns have historically been lower than equity returns over the long-term.

Mid to long-term investment horizons

If you have a mid to long-term investment horizon you will usually be aiming to maximise growth in your pension account and so will probably be investing mainly in equities.

As you near your pension date

However, as you near your pension date, you may want to reduce the volatility of the value of your pension account. You can do this by moving part or all of your pension account out of equities and into bonds.

You will also be thinking about buying an annuity and you may want to ensure that the value of your pension account starts to move in line with the cost of buying an annuity. Annuity providers use bonds to back their annuities. Adopting the same investment approach, as annuity providers, that is investing in bonds, will therefore provide some protection against changes in annuity prices as you get near to your pension date.

*As at 31 December 2009.

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OVER 5 YEAR INDEX-LINKED GILTS INDEX FUND

PERFORMANCE

	FUND NET %	INDEX %
Mar 2009 - Mar 2010	10.3	10.4
Mar 2008 - Mar 2009	-2.9	-2.8
Mar 2007 - Mar 2008	13.4	13.5
Mar 2006 - Mar 2007	2.6	2.7
Mar 2005 - Mar 2006	8.9	9.0

Per annum to 31 March 2010

	FUND NET %	INDEX %
3 years	6.7	6.8
5 years	6.3	6.4

Past performance is not a guide to the future. Returns are calculated on the basis of closing middle-market prices. Fund Net returns are after the deduction of our standard investment management fees (please refer to your scheme's literature to determine the fee rate you are paying).

Market Highlights Over 12 Months to 31 March 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 extraordinary measures which policy makers have undertaken during the past twelve months have significantly affected the performance of cash instruments and government bond markets. While an improving economic backdrop typically places upward pressure on interest rates, the sheer scale of monetary stimulus programmes has kept interest rates artificially low. In the US, the Federal Reserve completed \$300bn in purchases of US Treasuries and the Bank of England (BOE) completed close to £200bn of quantitative easing almost entirely taken up by gilt purchases.

The weight of the extraordinary measures undertaken by policy makers appears to have proven effective in stabilising the global economy. Economic data have continued to be broadly reassuring during the first three months of 2010 and the global recovery remains appears 'on track', albeit at a subdued pace. However, a number of concerns have also mounted towards the end of the reporting period. 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. While the global economy has emerged from recession and growth rates are strong in the emerging economies, unemployment remains high in many developed nations. As policy makers begin to unwind their supportive measures, investors may need to begin to factor in a more subdued global economic climate.

Important Information

Past performance is not a guide to the future and the value of investments can go down as well as up. Investors may not recoup the value of their original investment. This document should not be taken as an invitation to deal in Legal & General investments or any of the stated stock markets.