

Cash Fund

FUND SIZE: £2,440 million

IN A NUTSHELL

- Invested in cash deposits and short-term investments
- Offers protection against stock market falls (rather than growth in the long-term)
- Likely to be of specific interest to members anticipating a cash sum on their pension date

GLOSSARY

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

Investment classes Different types of investments, for example, equities, bonds or cash

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

Return In this case, the income derived from cash deposits and other short-term investments

Risk The possibility that an investment will lead to a gain or a loss - the higher the risk, the higher anticipated rewards or potential losses, the lower the risk, the lower the anticipated rewards or potential losses

Short-term investments Cash or bonds with a short "life-span" of up to one year are considered to be short-term investments

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 £353 billion* under management and over 3,000* 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.

*Data as at 31 December 2010.

INVESTING FOR THE SHORT-TERM

The Cash Fund aims to deliver competitive rates of return from sterling cash deposits with a number of UK and overseas financial institutions. It aims to match the median return of similar cash funds.

The Cash Fund holds cash deposits with high quality institutions monitored by Legal & General's Cash Management Team. The Fund will also hold investments issued by the UK Government.

If any of the financial institutions with whom the Fund's money is deposited becomes insolvent or suffers other financial difficulties, the full deposit may not be returned. This would mean that you may not get back the full value of your investment.

The Fund is likely to be of specific interest to investors looking for a short-term investment.

Cash is generally not considered a suitable investment for longer periods of investment, such as the whole of a working lifetime, because historically it has lacked the ability to keep pace with inflation.

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.

As you near your Pension Date

If you wish to take a cash sum at your Pension Date, you may wish to start building up a proportion of your pension account as cash, as you approach this date, moving it out of more volatile investments into cash can help provide for your final sum.

At your Pension Date, you can take part of your pension in cash. Under current legislation, this is paid free of tax and is an attractive benefit to consider. The remainder will be used to buy a pension annuity.

MARKET HIGHLIGHTS OVER 12 MONTHS TO 31 MARCH 2011

Despite a slowdown last summer the global economy continued to recover in 2010 and the opening quarter of 2011, led by strong growth in emerging markets. Developed economies recovered more slowly, the principal concerns being the high levels of sovereign debt in Europe and a subdued recovery in the US. In Europe, a number of countries were forced to implement austerity measures as the sovereign debt crisis intensified. The bailout of Greece in spring 2010 provided a brief respite, but failed to alleviate longer-term concerns of contagion risks, which resurfaced in the autumn culminating in a rescue package for Ireland.

US economic indicators had begun to deteriorate last spring as the impetus from fiscal policy and inventory building began to fade. As a result, the Federal Reserve sanctioned a further round of quantitative easing (QE2), involving the large scale purchase of government bonds, to revive the economy. Subsequently, key indicators have strengthened as the economic recovery gathered pace although the medium term outlook has been clouded by the Obama administration's plan to cut over \$1 trillion from the US budget deficit over the next decade. Nevertheless, equity markets rallied in response to the combination of QE2 and stronger economic data, particularly across the emerging world as global demand gained momentum.

The growth of the emerging economies has been the principal driving force behind the continued strength of commodity markets, with increasing competition for resources as countries such as China, India and Brazil continue to grow far more rapidly than the major developed economies. Higher wages in these countries and the reluctance to use interest rates to slow growth significantly mean that inflation in the emerging world is likely to intensify. Furthermore, political unrest in the Middle East and North Africa has pushed up energy prices significantly, with rising inflation becoming the predominant concern amongst investors in early 2011. The devastating earthquake and tsunami in Japan have compounded near-term uncertainty.

Government bond markets have generally weakened in the face of stubbornly high inflation and the prospect of rising interest rates in the developed economies. Significantly, the European Central Bank has now sanctioned a rise in interest rates with inflation in the Eurozone running at a 2-year high. We expect that other central banks will, in due course, follow suit provided the economic recovery is not derailed. We are optimistic that the US can grow more rapidly in 2011, while growth in the emerging economies is set to remain robust. The outlook for Europe and the UK is more uncertain, given the risk of an escalation of sovereign debt concerns in the former and the impact of large scale government spending cuts on the latter.

IMPORTANT INFORMATION

Legal & General Investment Management Limited provides investment and management services to Legal & General Assurance (Pensions Management) Limited, the operating company for the Fund. Both companies are authorised and regulated by the Financial Services Authority.

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Past performance is not a guide to the future. Returns are calculated on the basis of closing middle-market prices after the deduction of fees. This document should not be taken as an invitation to deal in Legal & General investments or any of the stated stock markets.

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PERFORMANCE

	Fund Net %	Fund Gross%
Mar 2010 - Mar 2011	0.4	0.6
Mar 2009 - Mar 2010	0.4	0.5
Mar 2008 - Mar 2009	3.9	4.0
Mar 2007 - Mar 2008	5.8	5.9
Mar 2006 - Mar 2007	4.9	5.0

PER ANNUM TO 31 MARCH 2011

	Fund Net %	Fund Gross %
3 years	1.5	1.7
5 years	3.0	3.2

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).

The source of all information is LGIM unless otherwise stated.