

LGIM launches Multi-Strategy Enhanced Commodities UCITS ETF

Expansion of commodities ETF range offers investors diversified exposure to the commodity futures market through a multi-factor strategy

London, 8 July 2021 – Legal & General Investment Management (LGIM) has today launched the L&G Multi-Strategy Enhanced Commodities UCITS ETF ('the Fund'), offering investors diversified exposure to the commodities futures market, as they seek to manage inflation and participate in investment opportunities across different commodities throughout the market cycle.

The Fund will seek to track the performance of the Barclays Backwardation Tilt Multi-Strategy Capped Total Return Index ('the Index'). The Index is comprised of all commodities in the Bloomberg Commodity Index and provides a return equivalent to a fully collateralised investment in a diversified portfolio of commodity futures across the following five commodity groups: Energy, Precious Metals, Industrial Metals, Livestock and Agriculture.

The Fund employs a multi-factor strategy, applying the following enhancements to provide optimal exposure to specific commodities by rolling the respective futures contracts dynamically:

- **Seasonal strategy:** applied to commodities such as Heating Oil, Gasoil and Natural Gas which have historically exhibited strong seasonality. The index shall invest into seasonal futures contracts that tend to be the most liquid contracts throughout the year and provide exposure to a commodity at key points during a production or demand cycle, where supply/demand dynamics systematically affect prices.
- **Roll yield strategy:** applied to the rest of the energy commodities and industrial metals in the index. For such commodities, the index shall seek to locate the position on the commodity futures curve with the most favourable implied roll yield.
- **Momentum strategy:** applied to agriculture and livestock commodities which have historically been strongly influenced by crop and breeding cycle, as well as exogenous factors such as weather. The index shall invest into futures contract which has exhibited the highest historical annual outperformance over the nearby futures contract. No enhancement is applied for precious metals such as Gold and Silver.

The Fund is initially being listed on the London Stock Exchange, targeting professional investors who are evaluating the strategic role of commodity futures investments as part of a multi-asset portfolio. It builds on LGIM's existing Commodities ETF range which includes the L&G All Commodities UCITS ETF and the L&G Longer Dated All Commodities UCITS ETF.

Howie Li, Head of ETFs at LGIM, commented: *"This launch reflects LGIM's continued commitment to active index design and is another example of innovation where investment strategies can be constructed to focus on the potential for stronger returns, rather than traditional benchmark returns."*

With track record of one of our other commodities ETFs, we've proven that longer dated futures help with long term performance and drawdown management, by reducing the volatility caused by near-term futures investments. Through risk mitigation and a deep understanding of the return drivers in the commodities markets, we're aiming to deliver greater value for clients. This investment strategy considers the risks and opportunities associated with the seasonality of certain commodities investments, roll yield enhancements in managing futures and the momentum effect of certain agricultural investments."

LGIM's Index team has a wealth of experience in index funds and over the last 25 years has grown into one of the largest global providers. Backtesting of the index from 2011 onwards*, evidences the enhanced strategies applied

to each commodity group in this fund and the backwardation tilt multi-strategy index can help provide outperformance against core commodity benchmarks.

This launch builds on the demand seen across LGIM's commodities ETF range for investment solutions with low correlation to other asset classes, including traditional stocks and bonds, allowing clients to tap into the growth opportunities in the real economy as the global recovery gathers pace.

-Ends-

Key product details:

Fund name	TER	Listing exchange	Index name	ISIN	Base currency	Bloomberg code
L&G Multi-Strategy Enhanced Commodities UCITS ETF	0.30%	London Stock Exchange	Barclays Backwardation Tilt Multi-Strategy Capped Total Return Index	IE00BFXR6159	USD	ENCO LN
					GBP	ENCG.L

* Backtesting was carried out on the indexes for the L&G All Commodities UCITS ETF, further detail for which can be found [here](#) and the L&G Longer Dated All Commodities UCITS ETF which can be found [here](#).

Key Risk Warnings

Past performance is not a guide to the future.

The value of an investment and any income taken from it is not guaranteed and can go down as well as up; you may not get back the amount you originally invested.

Notes to editors

About Legal & General Investment Management

Legal & General Investment Management is one of Europe's largest asset managers and a major global investor, with total assets under management of £1.3 trillion¹. We work with a wide range of global clients, including pension schemes, sovereign wealth funds, fund distributors and retail investors.

Throughout the past 40 years we have built our business through understanding what matters most to our clients and transforming this insight into valuable, accessible investment products and solutions. We provide investment expertise across the full spectrum of asset classes including fixed income, equities, commercial property and cash. Our capabilities range from index-tracking and active strategies to liquidity management and liability-based risk management solutions.

¹ LGIM internal data as at 31 December 2020. The AUM disclosed aggregates the assets managed by LGIM in the UK, LGIMA in the US and LGIM Asia in Hong Kong. The AUM includes the value of securities and derivatives positions.