

## Liquidity and ESG at the core of LGIM's new fixed income ETF range

*Proactively designed index strategies also mitigate inefficiencies as index investing grows globally*

**London, 9 December 2020** – Legal & General Investment Management (LGIM) has today announced the launch of its Core Fixed Income Exchange Traded Fund (ETF) range designed for UK and European wholesale and institutional investors.

Encompassing five funds, the range addresses investors' increasing need to gain exposure to core fixed income assets with ESG and liquidity considerations integrated into the investment design. Across the range, LGIM draws on expertise from its active and index fixed income teams, which collectively manage \$236 billion in assets, to add value that can be lost in index investing for the benefit of investors.

All five core fixed income ETFs will be listed on the London Stock Exchange (LSE) with the L&G ESG Emerging Markets Government Bond UCITS ETF and the L&G ESG China Bond UCITS ETF also listing on the Deutsche Börse and the Borsa Italiana.

The ETFs provide a higher allocation to green bonds and issuers with the highest ESG scores than traditional fixed income ETFs, while retaining a similar risk/return profile to traditional indices. The range also excludes the bottom quintile of issuers based on their ESG scores, as well as certain industries such as controversial weapons manufacturers, thermal coal miners, tobacco companies, oil sands (from 29 January 2021) and the violators of the UN Global Compact.

LGIM has designed for the index to employ a liquidity-aware approach, which includes increased minimum issuance thresholds relative to traditional benchmarks to improve the overall liquidity profile. The indices are specially optimised for liquidity, balancing portfolio and individual bond liquidity against potential performance trade-offs.

By leveraging on LGIM's fixed income index experience, the investment strategy of the ETFs transparently addresses the inefficiencies commonly found in index investing. These indices have been designed to avoid crowded trades and to put cash to work more efficiently. Accordingly, investors in these ETFs have the potential to benefit from the price reversion that can be captured by avoiding crowded bond selling activity- these ETFs can remain invested in "fallen angels" for up to six months after downgrade as well as remain invested in bonds closer to maturity. They will reinvest cash generated from coupons immediately rather than, as commonly found in traditional bond indices, holding onto cash until the end of the month.

In order to execute on these design requirements, LGIM sought to work with an index partner that has a strong track record in managing bond indices as well as a robust process for ESG integration. Partnering with JPMorgan, the ETF range will leverage its ESG approach that incorporates well-recognised external ESG data and exclusions often required by responsibly-minded investors and asset managers.

Commenting on the launch, **Howie Li, Head of ETFs at LGIM**, said: *"Liquidity and ESG integration in bond investing are among the top considerations for fixed income investors. Our client feedback has been clear that the ETF industry needs to provide fixed income tools that better reflect the forward-looking investment landscape. With LGIM's deep experience in index and responsible investing, we set out to pro-actively design bond indices that address the liquidity and ESG requirements of modern investors. At the same time, we wanted to add the value LGIM has been delivering to its clients for many years through experienced portfolio management of bond indices. In a single transaction, investors can now access the diversified bond portfolios in these ETFs to make*

strategic and tactical asset allocation decisions that address their ESG needs and liquidity concerns whilst maximising the potential value of thoughtfully designed indices that incorporates LGIM's index experience."

Commenting on the search for an index partner to incorporate LGIM's requirements, **Lee Collins, Head of Index Fixed Income at LGIM**, said: "We are excited to partner with JPMorgan on the index design for LGIM's first fixed income ETFs and to see the many months of dedicated effort come to fruition with the launch of these products. It was important to us that we could incorporate some of our pragmatic portfolio management techniques into the index design itself, thereby allowing us to take full advantage of opportunities to create real value for investors."

The launch of the Core Fixed Income ETF range brings LGIM's total ETF range to 33 funds, across its core and thematic suite, with total Assets under Management of \$7.5bn<sup>1</sup>

**-Ends-**

### Key product details:

Fund name	Index	ISIN	TER	Currency	Ticker and Exchange
L&G UK Gilt 0-5 Year UCITS ETF	J.P. Morgan GBI UK Short-Term Custom Maturity Index	IE00BLRP QK69	0.06%	GBP	LSE – UKG5
L&G ESG Emerging Markets Government Bond (USD) 0-5 Year UCITS ETF	J.P. Morgan ESG EMBI Global Diversified Short-Term Custom Maturity Index	IE00BLRP QP15	0.25%	EUR	Borsa Italiana – EMD5
				EUR	Deutsche Börse – EMA5
				USD	LSE – EMD5
				GBP	LSE – EMDG
L&G ESG GBP Corporate Bond 0-5 Year UCITS ETF	J.P. Morgan GCI ESG Investment Grade GBP Short-Term Custom Maturity Index	IE00BLRP QN90	0.09%	GBP	LSE – GBP5
L&G ESG GBP Corporate Bond UCITS ETF	J.P. Morgan GCI ESG Investment Grade GBP Custom Maturity Index	IE00BLRP QM83	0.09%	GBP	LSE – GBPC
L&G ESG China CNY Bond UCITS ETF	J.P. Morgan China Custom Liquid ESG Capped Index	IE00BLRP QL76	0.30%	EUR	Borsa Italiana – DRGN
				EUR	Deutsche Börse – DRGN
				USD	LSE – DRGN
				GBP	LSE – DRGG

### 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 £1.2 trillion (€1.4 trillion; CHF1.5 trillion)<sup>2</sup>. We work with a wide range of global clients, including pension schemes, sovereign wealth funds, fund distributors and retail investors.

<sup>1</sup> As of 4 December 2020

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.

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<sup>2</sup> LGIM internal data as at 30 June 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.

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