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LGIM launches three Quality Equity Dividend ETFs

Investment strategies focus on ESG screened stocks able to generate sustainable income

London, 15 April 2021 – Legal & General Investment Management (LGIM) has today launched a range of three Quality Equity Dividend ETFs, which have been designed for investors seeking equity income with quality screens and responsible exclusions.

The three ETFs track FTSE Russell indices and follow proactively designed index investment strategies, which have been tailored for investors by LGIM and FTSE Russell. These indices rely on the quality of the underlying companies, looking for those with strong dividend characteristics while excluding those facing significant ESG risks. The following funds have been listed on the London Stock Exchange and are available to UK intermediary and retail investors.

- **L&G Quality Equity Dividends ESG Exclusions UK UCITS ETF**
- **L&G Quality Equity Dividends ESG Exclusions Europe ex-UK UCITS ETF**
- **L&G Quality Equity Dividends ESG Exclusions Asia Pacific ex-Japan UCITS ETF**

The ETFs have been designed to meet two main objectives for advisers and their clients. On the one hand, with mainstream bond yields at or near all-time lows, the search for income remains a great challenge. On the other, capital preservation also remains a central requirement for investors. The increasing pressure on companies being able to provide investors with sustainable dividends has impacted their capital, and these funds therefore seek consistent dividend payers. They also apply a quality screen to help investors avoid value traps by excluding companies that do not have positive return on equity or robust balance sheets.

The ETFs' methodology applies a set of three systematic screens for dividends, quality and ESG exclusions. The purpose of the quality screen is to help identify and remove stocks with a fundamentally poor balance sheet and/or income statement characteristics. A quality score is calculated by FTSE as a geometric average of three underlying metrics: company earnings, assessing profitability and cash components; asset growth; and leverage metrics.

The dividend screen aims to maximise exposure to a basket of stocks which have a track record of consistent and rising shareholder distributions and the potential to sustain them into the future. This means identifying companies paying consistent and resilient dividends based on their positive return on equity, a demonstrably positive trend in the dividends distributed per share and a higher consensus forecast on dividend yields.

Howie Li, Head of ETFs at LGIM commented: *"We apply a rigorous series of quantitative screens to select stocks based on their quality metrics, dividend characteristics, and ESG profile. We look to identify those quality companies that can sustain a consistent dividend and thus believe that this fund range is a powerful proposition for investors seeking to address their search for income, desire for growth potential, and an increasing awareness of ESG risks."*

The purpose of our ESG screen is to exclude companies we believe are exposed to material financial risks based on their business models or operations, applying a number of FTSE exclusion lists to the underlying stocks in the portfolios such as those in breach of the UN Global Compact, involved in manufacturing controversial weapons, and thermal-coal miners and power producers. In addition to exclusions, we apply an active ownership approach with constituent companies, engaging with them on ESG concerns through LGIM's award-winning Investment Stewardship team, which seeks to raise ESG standards in all holdings.

James Crossley, Head of UK Retail Sales at LGIM, added: “Dependable income is something investors are crying out for in the current environment, but some stocks with high dividend yields may be value traps with poor fundamentals and weak growth prospects. We believe that in giving investors exposure to a range of quality companies, with strong dividend characteristics and avoiding material ESG risks, we are well positioned to help them generate consistent income in their portfolios. These new funds add to what is already an impressive suite of ETFs, increasing the depth and breadth of LGIM’s offering to investors.”

LGIM sought to work with an index partner in FTSE Russell that covers 98% of the investable market, offering a true picture of global markets and specialist knowledge in developing local benchmarks around the world. Its index design and management are backed up by a transparent rules-based methodology and informed by independent committees of leading market participants.

These three new funds will build on and complement LGIM’s existing suite of core and thematic ETFs across different asset classes, bringing the total range to 41 funds, 33 of which are available on the Italian, German and Swiss stock exchanges. In recent months LGIM has been one of the fastest growing ETF issuers in Europe, with its innovative range of thematic ETF strategies and new ESG fixed income strategies helping to deliver a top 10 position for European net flows in 2020¹.

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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

Key product details:

Fund name	Ticker	Base currency	ISIN	TER	Index name	Bloomberg Index Ticker
L&G Quality Equity Dividends ESG Exclusions UK UCITS ETF	LDUK LN	GBP	IE00BMYDM802	0.25%	FTSE All Share ex IT ex CW ex TC ex REITS Dividend Growth with Quality Net Tax Index	ASXXCTDN
L&G Quality Equity Dividends ESG Exclusions Europe ex-UK UCITS ETF	LDEU LN	EUR	IE00BMYDM919	0.25%	FTSE Developed Europe ex UK All Cap ex CW ex TC ex REITS Dividend Growth with Quality Net Tax Index	GDEXUCTN
L&G Quality Equity Dividends ESG Exclusions Asia Pacific ex-Japan UCITS ETF	LDAP LN	USD	IE00BMYDMB35	0.40%	FTSE Developed Asia Pacific ex Japan All Cap ex CW ex TC ex REITS	GDPXJCTN

¹ According to Data from consultancy and research firm ETFGI show Legal & General Investment Management’s ETF arm was one of the biggest winners last year, ending 2020 with \$8.5bn in ETF assets — an 89.4% increase from the end of 2019 and the highest rise of any top 20 ETF player.

					Dividend Growth with Quality Net Tax Index	
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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 trillion². 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.

² 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.