



GILT FUND

July 2017 Factsheet

FUND OBJECTIVE

The aim of the Fund is to seek to provide a regular income through investment in sterling denominated government and other public securities, principally those issued by the British Government and those which pay interest without deduction of tax to non-residents of the country of issuer.

INVESTMENT MANAGER

Aberdeen Asset Investments Limited.

FUND PERFORMANCE

	30/06/16 to 30/06/17 (%)	30/06/15 to 30/06/16 (%)	30/06/14 to 30/06/15 (%)	30/06/13 to 30/06/14 (%)	30/06/12 to 30/06/13 (%)
Monthly B	-1.19	10.52	6.72	0.85	-3.48
Quarterly A	-1.24	10.64	6.70	0.84	-3.43

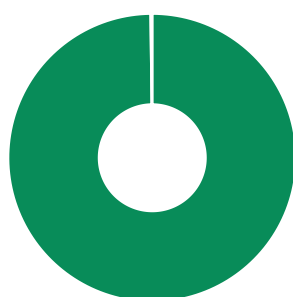
The figures show the performance growth over 5 years as discrete 12 month periods, on a mid price basis with gross income reinvested. All charges and fees, except any initial charge, have been included in the performance figures. Source: FE.

Sector is Lipper Sterling Fixed Interest.

Past performance should not be seen as an indication of future performance.

The value of investments and the income from them can go down as well as up and cannot be guaranteed. Investments in a currency other than the shareholder's own currency, or in a fund that invests in securities denominated in currencies other than its own base currency, will be subject to the movements of foreign exchange rates, which may cause an additional favourable or unfavourable change in value. Consequently, investors may, on selling their shares, receive an amount greater or less than their original investment.

SECTOR BREAKDOWN (%)



Government bonds	99.81
Cash	0.19

LARGEST INVESTMENTS (%)

Treasury 3.25% 2044	7.87
Treasury 1.75% 2019	7.59
Treasury 1.5% 2047	7.06
Treasury 4.5% 2034	6.98
Treasury 1.5% 2026	5.98
Treasury 3.75% 2021	5.71
Treasury 3.5% 2045	5.71
Treasury 4.25% 2046	5.59
Treasury 1.25% 2027	5.34
Treasury 8.75% 2017	4.96

MARKET OVERVIEW

During April, UK Prime Minister Theresa May surprised markets by calling an early general election. This resulted in the Conservatives losing their majority and having to seek an agreement with Northern Ireland's Democratic Unionist Party. Markets had to assess the likely implications for both future UK fiscal policy and Brexit negotiations, which led to a relatively muted reaction in fixed income markets but a weakening in Sterling.

The Fund was active in long breakeven trades throughout the quarter, which were the main positive contributors to performance. The trades involve selling a UK conventional gilt to buy the corresponding inflation linked gilt. The main rationale behind the trades were the supply & demand dynamics which we expected to lead to an underperformance of conventional gilts relative to inflation linked gilts. This rationale proved correct and we later took profits on these trades.

The curve flattening positions held in the Fund were removed during the quarter which contributed negatively to performance over the period.

In May the Fund went short duration. Although our expectations remain that UK growth will slow, we expected positive global factors to be more dominant in the short term and that rising US Treasury and German Government bond yields would drag UK gilt yields higher too. We later took profits on this position following a sharp movement higher in gilt yields at the end of June (mentioned above).

Finally, the Fund added a curve steepener trade at the end of June, expecting ultra long bonds to underperform shorter maturity bonds. This area of the curve had flattened to all time lows but a large amount of upcoming supply and seasonal factors point to this trend reversing over the coming months.

GILT FUND

July 2017 Factsheet

FUTURE POLICY

Towards the end of the quarter, at the Bank of England June monetary policy meeting, the number of dissenters voting for a rate hike jumped from one to three meaning the final vote was a relatively close run 5-3. Subsequently, Andrew Haldane, the Bank's Chief Economist said he too was considering voting for an increase in interest rates.

Haldane's comments, combined with comments from Bank of England Governor Mark Carney, saw gilt yields spike up to 1.26% by the end of June. As expected, the Federal Reserve hiked interest rates by 0.25% at its June meeting, the target Fed Funds rate is now 1-1.25%. There were no major changes to European Central Bank policy during the quarter.

But signs that the forces underpinning inflation are gradually retreating, with producer price inflation and activity both slowing, point to a likely peak in Consumer Price Index inflation of just above 3% shortly. So we continue to expect the MPC to remain in 'wait and see' mode on rates through to the end of 2019.

Please Note: The commentary contained in this document has been derived from sources, which we consider to be reasonable and appropriate. It may also include our views and expectations, which cannot be taken as fact. The forecast of future performance is not a reliable guide to actual future results.

GENERAL INFORMATION

Value of Fund as at 30th June 2017
£40.31m

Dealing Price as at 30th June 2017

Monthly B: £1.2740

Quarterly A: £1.3270

Estimated Yield

1.56%

Gross Redemption Yield as at 30th June 2017

Monthly B: 1.19%

Quarterly A: 1.19%

**Average Bond Maturity
Fund Duration/Benchmark**

10.86 years /10.85 years

Distribution Dates

Monthly B: 25th Monthly

Quarterly A: 15th Feb, May, Aug & Nov

Ex Dividend Dates

Monthly B: 1st business day of month

Quarterly A: 1st Jan, Apr, Jul & Oct

Minimum Initial Investment

£5,000 or currency equivalent

Minimum Subsequent Investment

£500 or currency equivalent

Minimum Regular Savings Investment

£100 per month

Initial Charge

3.5%

Annual Management Charge

0.85%

Total Holdings

25

Sedol/ISIN

Monthly B:0906830/GB0009068304

Quarterly A:0906971/GB0009069716

CONTACT DETAILS

Telephone: +44 (1534) 845555

(9am – 5pm Monday to Friday excluding bank holidays)

Website: international.lloydsbank.com/products-and-services/investments/funds

Telephone calls may be recorded and monitored. Call costs may vary depending on your service provider.

This document has been issued by Lloyds Investment Fund Managers Limited (the "Manager"). Registered office: PO Box 160, 25 New Street, St Helier, Jersey, Channel Islands, JE4 8RG. Lloyds Gilt Fund Limited (the "Fund") is authorised by the Jersey Financial Services Commission under the Collective Investment Funds (Jersey) Law, 1988. Legislation or regulations in your home jurisdiction may prohibit you from entering into such a transaction with us. We reserve the right to make final determination on whether you are eligible for any products or services.

Collective investment funds are generally medium to long-term investments. They are traded at the dealing prices and may engage in borrowing and stocklending. Details of any commissions payable and copies of the Prospectus are available free of charge upon request from the Manager.