

Legal & General UK Special Situations Trust  
**Interim Manager's Report**  
**for the period ended**  
**14 March 2017**  
**(Unaudited)**

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DAY  
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**Legal &  
General**



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# Manager's Investment Report

## Investment Objective and Policy

The investment objective of this Trust is to maximise capital growth by investing predominantly in a portfolio of UK companies.

Securities of companies considered undervalued due to their special situation, such as recovery action, management change, refinancing activity or undervalued strategic assets, will be chosen.

## Manager's Investment Report

During the six-month period under review, the Trust's R-Class Distribution units rose by 3.84%, while the FTSE All-Share Index rose by 9.79% on a capital only basis (Source: Bloomberg).

**Past performance is not a guide to future performance.**

**The value of investments and any income from them may go down as well as up.**

**Exchange rate changes may cause the value of any overseas investments to rise or fall.**

## Market/Economic Review

The global equity rally gathered steam in late 2016 and in early 2017 with markets moving higher despite a backdrop of rising political uncertainty. The US took centre stage, with the twin drivers of the Federal Reserve's (Fed) interest rate policy and November's presidential election shaping market movements. President Trump's victory led investors to anticipate rising domestic growth and inflation given his plans for a significant fiscal stimulus package.

Western stock markets and bond yields moved notably higher in response. This trend continued into December 2016 and early 2017, even as the Fed took the decision to raise US interest rates for only the second time since the global financial crisis, with the FTSE 100 reaching new all-time highs.

UK equities in particular were driven higher by Sterling weakness, enhancing returns for large cap stocks with international earnings profiles. At the sector level, energy, basic materials and financials were leading performers. Smaller companies also performed well, as stronger data releases seemed to suggest that the UK economy has weathered the Brexit vote well.

## Trust Review

The Trust delivered a positive return over the review period, but underperformed the benchmark Index. Sector allocation was detrimental, led by our overweight position in the technology sector which underperformed.

Stock selection was the primary driver of underperformance. Spread-betting from CMC Markets suffered as proposals for new regulation around the sale of contracts for difference (CFDs) dented investor confidence, and Paysafe shares fell sharply in late 2016 as sentiment reversed. LivaNova and GVC were also weaker initially, although recovered somewhat in early 2017.

In terms of trading activity, we added to our position in NMC Health. The UAE-based healthcare provider has grown significantly in recent years, driven by structural demand and strategic acquisitions. We also

## Manager's Investment Report continued

added to our position in Gym Group on account of its strong roll-out pipeline and membership growth. We sold positions in Paragon and Whitbread, and reduced our overweight position in UK gaming by selling 888 Holdings.

### **Outlook**

We see steady global growth continuing in 2017, aided by increasingly supportive US government spending. While global equity markets have been buoyed by diminishing deflation concerns, the perception of a 'goldilocks' economy, with good growth and low inflation, might prove short-lived. Equity markets could be well on their way to anticipating the next global recession by the end of the year.

The UK economy has been resilient following the Brexit vote, but the consequences of the fall in the value of the Pound could be felt more strongly during 2017. As inflation rises, the real world value of UK incomes could come under pressure. There remains the potential for weak business investment and less employment growth as uncertainty around the UK's future relationship with the EU leads to a deferral of expansion plans. In this environment, the Bank of England is likely to be faced with a combination of above-target inflation but sluggish growth. As a result, the bank is likely to opt to do very little.

Legal & General Investment Management Limited

(Investment Adviser)

29 March 2017

## Authorised Status

### Authorised Status

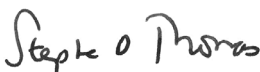
This Trust is an Authorised Unit Trust Scheme as defined in section 243 of the Financial Services and Markets Act 2000 and is a UCITS Retail Scheme within the meaning of the FCA Collective Investment Schemes sourcebook.

### Directors' Statement

We hereby certify that this Manager's Report has been prepared in accordance with the requirements of the FCA Collective Investment Schemes sourcebook.



A. J. C. Craven  
(Director)



S. D. Thomas  
(Director)

Legal & General (Unit Trust Managers) Limited  
3 May 2017

## Portfolio Statement

### Portfolio Statement as at 14 March 2017

All investments are in ordinary shares unless otherwise stated. The percentages in brackets show the equivalent sector holdings at 14 September 2016.

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	<b>UNITED KINGDOM</b>		
	— 66.51% (69.25%)		
	<b>Oil &amp; Gas Producers</b>		
	— 6.50% (5.62%)		
485,000	Royal Dutch Shell	10,796,100	4.15
2,500,000	Tullow Oil	6,117,500	2.35
		<b>16,913,600</b>	<b>6.50</b>
	<b>Chemicals — 1.51% (1.10%)</b>		
200,000	Victrex	3,930,000	1.51
	<b>Electronic &amp; Electrical Equipment</b>		
	— 1.96% (2.12%)		
443,674	TT Electronics	780,866	0.30
1,303,060	Xaar	4,322,902	1.66
		<b>5,103,768</b>	<b>1.96</b>
	<b>Industrial Transportation</b>		
	— 3.38% (1.87%)		
2,894,816	BBA Aviation	8,791,556	3.38
	<b>Household Goods &amp; Home Construction — 1.84% (1.08%)</b>		
2,067,429	Countryside Properties	4,796,435	1.84
	<b>Health Care Equipment &amp; Services — 9.03% (10.89%)</b>		
653,082	NMC Health	12,088,548	4.65
920,000	Smith & Nephew	11,398,800	4.38
		<b>23,487,348</b>	<b>9.03</b>
	<b>Pharmaceuticals &amp; Biotechnology</b>		
	— 2.30% (1.09%)		
3,932,197	Vectura Group	5,988,736	2.30
	<b>General Retailers — 6.09% (7.19%)</b>		
2,200,000	Dixons Carphone	6,666,000	2.57
4,479,744	Saga	9,161,076	3.52
		<b>15,827,076</b>	<b>6.09</b>
	<b>Media — 1.74% (1.79%)</b>		
1,189,695	Auto Trader	4,527,979	1.74
	<b>Travel &amp; Leisure — 7.16% (6.73%)</b>		
268,000	Carnival	12,159,160	4.68
3,520,345	Gym Group	6,442,231	2.48
		<b>18,601,391</b>	<b>7.16</b>
	<b>Fixed Line Telecommunications</b>		
	— 2.25% (0.00%)		
5,000,000	Zegona Communications	5,850,000	2.25
	<b>Mobile Telecommunications</b>		
	— 3.59% (4.15%)		
4,568,891	Vodafone Group	9,325,107	3.59

## Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	<b>Banks — 3.58% (0.40%)</b>		
3,000,000	Barclays	6,826,500	2.63
370,000	HSBC Holdings	2,476,040	0.95
		<hr/>	<hr/>
		9,302,540	3.58
	<b>Life Insurance — 9.05% (12.44%)</b>		
740,000	Prudential	12,679,900	4.88
1,000,000	St. James' Place	10,840,000	4.17
		<hr/>	<hr/>
		23,519,900	9.05
	<b>Financial Services — 1.67% (6.17%)</b>		
3,283,334	CMC Markets	4,343,851	1.67
	<b>Software &amp; Computer Services — 4.86% (6.61%)</b>		
430,053	Micro Focus	9,388,057	3.61
965,517	Softcat	3,241,241	1.25
		<hr/>	<hr/>
		12,629,298	4.86
	<b>BERMUDA — 0.91% (0.71%)</b>		
	<b>Mining — 0.91% (0.71%)</b>		
1,924,037	Petra Diamonds	2,372,338	0.91
	<b>IRELAND — 9.55% (7.62%)</b>		
	<b>Mining — 1.52% (0.00%)</b>		
1,400,000	Kenmare Resources	3,962,000	1.52
	<b>Construction &amp; Materials — 3.84% (3.64%)</b>		
350,000	CRH	9,982,000	3.84
	<b>Support Services — 4.19% (3.98%)</b>		
156,119	DCC	10,897,106	4.19
	<b>CHANNEL ISLANDS — 6.43% (4.28%)</b>		
	<b>Mining — 2.40% (0.00%)</b>		
2,000,000	Glencore	6,238,000	2.40
	<b>Pharmaceuticals &amp; Biotechnology — 4.03% (4.28%)</b>		
212,595	Shire	10,481,996	4.03
	<b>ISLE OF MAN — 12.32% (12.53%)</b>		
	<b>Travel &amp; Leisure — 8.29% (8.28%)</b>		
1,453,992	GVC	10,403,313	4.00
1,225,000	Playtech	11,153,625	4.29
		<hr/>	<hr/>
		21,556,938	8.29
	<b>Support Services — 4.03% (4.25%)</b>		
2,340,467	Paysafe	10,487,633	4.03
	<b>GIBRALTAR — 0.00% (4.13%)</b>		
	<b>Travel &amp; Leisure — 0.00% (4.13%)</b>		



## Portfolio Statement continued

**Portfolio of investments**

**Net other assets**

**Total net assets**

<b>Market Value £</b>	<b>% of Net Assets</b>
248,916,596	95.72
11,135,973	4.28
<b>£260,052,569</b>	<b>100.00%</b>

Total purchases for the period: £81,136,645.

Total sales for the period: £79,800,414.

## Financial Statements

### Statement of Total Return for the period ended 14 March 2017

	14/03/17		14/03/16	
	£	£	£	£
<b>Income</b>				
<b>Net capital gains</b>		9,860,593		6,800,053
<b>Revenue</b>	2,946,446		1,525,724	
<b>Expenses</b>	(1,678,340)		(1,321,101)	
<b>Interest payable and similar charges</b>	(1,426)		(11)	
<b>Net revenue before taxation</b>	1,266,680		204,612	
<b>Taxation</b>	—		(35,678)	
<b>Net revenue after taxation for the period</b>		<u>1,266,680</u>		<u>168,934</u>
<b>Total return before distributions</b>		11,127,273		6,968,987
<b>Distributions</b>		<u>(1,266,993)</u>		<u>(296,104)</u>
<b>Change in net assets attributable to Unitholders from investment activities</b>		<u><b>£9,860,280</b></u>		<u><b>£6,672,883</b></u>

### Statement of Change in Net Assets attributable to Unitholders for the period ended 14 March 2017

	14/03/17		14/03/16	
	£	£	£	£
<b>Opening net assets attributable to Unitholders</b>		241,408,926		191,411,666
<b>Amounts received on issue of units</b>	16,862,598		13,094,575	
<b>Amounts paid on cancellation of units</b>	(8,137,687)		(5,175,480)	
		<u>8,724,911</u>		<u>7,919,095</u>
<b>Change in net assets attributable to Unitholders from investment activities</b>		9,860,280		6,672,883
<b>Retained distributions on accumulation units</b>		<u>58,452</u>		<u>4,035</u>
<b>Closing net assets attributable to Unitholders</b>		<u><b>£260,052,569</b></u>		<u><b>£206,007,679</b></u>

The difference between the opening net assets and the comparative closing net assets is the movement in the second half of the year.

## Financial Statements continued

### Balance Sheet as at 14 March 2017

	14/03/17	14/09/16
	£	£
<b>ASSETS</b>		
<b>Fixed assets:</b>		
Investments	248,916,596	237,838,583
<b>Current assets:</b>		
Debtors	731,275	1,268,783
Cash and bank balances	17,152,972	12,137,539
<b>Total assets</b>	<b>266,800,843</b>	<b>251,244,905</b>
<b>LIABILITIES</b>		
<b>Creditors:</b>		
Distributions payable	(1,210,516)	(1,659,530)
Other creditors	(5,537,758)	(8,176,449)
<b>Total liabilities</b>	<b>(6,748,274)</b>	<b>(9,835,979)</b>
<b>Net assets attributable to Unitholders</b>	<b>£260,052,569</b>	<b>£241,408,926</b>

# Notes to the Financial Statements

## 1. Statement of Compliance

The Financial Statements have been prepared in compliance with UK Financial Reporting Standard 102 (FRS 102) and in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Association in May 2014 (2014 SORP).

## 2. Accounting Policies

The accounting policies applied are consistent with the most recent annual Financial Statements.

### (a) Basis of preparation

The Financial Statements have been prepared on a going concern basis, under the historical cost convention as modified by the revaluation of certain assets and liabilities measured at fair value through profit or loss.

## Trust Information

### Net Asset Values and Units in Issue

Class	Net Asset Value (£)	Units in Issue	Net Asset Value per Unit (p)
R-Class			
Distribution Units	166,002,397	161,221,240	102.97
Accumulation Units	11,932,928	10,990,605	108.57
I-Class			
Distribution Units	3,762,414	3,633,900	103.54
Accumulation Units	4,244,932	3,635,247	116.77
L-Class			
Distribution Units	73,921,330	71,424,056	103.50
F-Class			
Distribution Units	136,887	131,228	104.31
Accumulation Units	51,681	46,061	112.20

**Past performance is not a guide to future performance.**

**The price of units and any income from them may go down as well as up.**

**Exchange rate changes may cause the value of any overseas investments to rise or fall.**

### Ongoing Charges Figures

	14 Mar 17	14 Sep 16
R-Class	1.83%	1.75%
I-Class	0.94%	0.86%
L-Class	0.19%	0.11%
F-Class	1.33%	1.25%

The Ongoing Charges Figure (OCF) is the ratio of the Trust's total discloseable costs (excluding overdraft interest) to the average net assets of the Trust.

The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a trust and is calculated based on the last period's figures.

## Trust Information continued

### Distribution Information

#### **R-Class**

The distribution payable on 14 May 2017 is 0.2518p per unit for distribution units and 0.2649p per unit for accumulation units.

#### **I-Class**

The distribution payable on 14 May 2017 is 0.7132p per unit for distribution units and 0.7998p per unit for accumulation units.

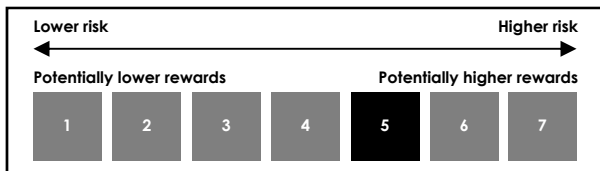
#### **L-Class**

The distribution payable on 14 May 2017 is 1.0890p per unit for distribution units.

#### **F-Class**

The distribution payable on 14 May 2017 is 0.5271p per unit for distribution units and 0.5608p per unit for accumulation units.

## Risk and Reward Profile



- This risk and reward profile is based on historical data which may not be a reliable indication of the Trust's risk and reward category in the future.
- The category is based on the rate at which the value of the Trust has moved up and down in the past.
- This Trust is in category five because it invests in company shares which generally provide higher rewards and higher risks than other investments such as bonds, cash or commercial property.
- The Trust's category is not guaranteed to remain the same and may change over time.
- Even a trust in the lowest category is not a risk free investment.

## General Information

### Constitution

Launch date:	10 November 2008
Period end dates for distributions:	14 March, 14 September
Distribution dates:	14 May, 14 November
Minimum initial lump sum investment:	R-Class £500 I-Class £1,000,000 L-Class* £100,000 F-Class** £500
Valuation point:	12 noon
Fund management fee:	R-Class Annual 1.83% I-Class Annual 0.94% L-Class* Annual 0.19% F-Class** Annual 1.33%
Initial charges:	R-Class 5.00% I-Class Nil L-Class* Nil F-Class** Nil

\* L-Class is not available to retail customers and is intended only for investment by Legal & General group companies.

\*\* F-Class units are only available to:

- i) investors who have received advice from authorised intermediaries and platforms in relation to their investment in units in the Trust and
- ii) authorised intermediaries or distributors who the Manager reasonably considers will adequately bear the costs of marketing to and acquiring investors at no or limited cost to the Manager, and to whom the Manager has confirmed that such distributor or investor meets the criteria for investment in such units.

### Pricing and Dealing

The prices are published on the internet at [www.legalandgeneral.com/investments/fund-information/daily-fund-prices](http://www.legalandgeneral.com/investments/fund-information/daily-fund-prices) immediately after they become available.

Dealing in units takes place on a forward pricing basis, from 8:30am to 6:00pm, Monday to Friday.

### Buying and Selling Units

Units may be bought on any business day from the Manager or through a financial adviser by telephoning, completing an application form or on the internet at [www.legalandgeneral.com](http://www.legalandgeneral.com). Units may normally be sold back to the Manager on any business day at the bid price calculated at the following valuation point.



## **General Information continued**

### **ISA Status**

This Trust may be held within this tax advantaged savings arrangement. The favourable tax treatment of ISAs may not be maintained. For full written information, please contact your usual financial adviser or ring 0370 050 0955.

Call charges will vary. We may record and monitor calls.

### **Prospectus and Manager's Reports**

The Manager will send to all persons on the Unitholder Register annual and interim short form reports.

Copies of the Prospectus and the most recent annual or interim reports are available free of charge by telephoning 0370 050 0955 or by writing to the Manager.

Do you have difficulty in reading information in print because of a disability? If so, we can help. We are able to produce information for our clients in large print and braille. If you would like to discuss your particular requirements, please contact us on 0370 050 0955.

Call charges will vary. We may record and monitor calls.

### **Dual Pricing Arrangement**

The Manager's fixed dual pricing arrangement has a set spread to account for the costs of transacting in a particular Trust. Where the Manager operates a box through which unit subscriptions and unit redemptions are netted into a single trade instruction to the Trustee, the netting reduces the actual transaction costs and this generates a revenue to the Manager. With effect from 1 January 2016, the revenue generated from this activity is calculated on a monthly basis and returned to the Trust in the form of a payment from the manager. This provides an enhanced return to the Trust, through the size of any return will be dependent on the size of subscriptions and redemptions.

## General Information continued

### Authorised Fund Manager

Legal & General (Unit Trust Managers) Limited

Registered in England and Wales No. 01009418

Registered office:

One Coleman Street,

London EC2R 5AA

Telephone: 0370 050 3350

Authorised and regulated by the Financial Conduct Authority

Call charges will vary. We may record and monitor calls.

### Directors of the Manager

R. M. Bartley

A. J. C. Craven

S. Hynes (appointed 29 June 2016)

H. Solomon

S. D. Thomas

L. W. Toms

A. R. Toutouchi\*

M. J. Zinkula

\* Non-executive Director

### Secretary

J. McCarthy

### Registrar

Legal & General (Unit Trust Managers) Limited

P.O. Box 6080,

Wolverhampton WV1 9RB

Authorised and regulated by the Financial Conduct Authority

Dealing: 0370 050 0956

Enquiries: 0370 050 0955

Registration: 0370 050 0955

Call charges will vary. We may record and monitor calls.

### Trustee

Northern Trust Global Services Limited

Trustee and Depositary Services

50 Bank Street,

Canary Wharf,

London E14 5NT

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority

## **General Information continued**

### **Independent Auditors**

PricewaterhouseCoopers LLP  
7 More London Riverside  
London SE1 2RT

### **Investment Adviser**

Legal & General Investment Management Limited  
One Coleman Street,  
London EC2R 5AA  
Authorised and regulated by the Financial Conduct Authority

**Authorised and regulated by the  
Financial Conduct Authority**

Legal & General  
(Unit Trust Managers) Limited  
Registered in England and Wales No. 01009418  
Registered office:  
One Coleman Street,  
London EC2R 5AA  
[www.legalandgeneral.com](http://www.legalandgeneral.com)

