

Legal & General (Alliance & Leicester)
Capital Growth Fund

**Annual Manager's
Short Report
for the year ended
28 February 2019**



Investment Objective and Policy

The objective of the Fund is to track the capital performance of the FTSE 350 Index (the 'Index') and to maintain a gross income yield equal to that of the Index.

Securities in the Index will be held with weightings generally proportionate to their official Index weighting. From time to time non-Index constituents may be held as a result of a corporate action and these holdings will be sold or transferred as soon as reasonably practical.

The Fund may hold derivatives for Efficient Portfolio Management purposes.

Risk Profile

Market Risk

Market risk arises mainly from uncertainty about future prices. It represents the potential loss the Fund may suffer through holding market positions in the face of market movements. The Manager adheres to the investment guidelines and in this way, monitors and controls the exposure to risk from any type of security, sector or issuer.

Fund Facts

Period End Dates for Distributions:	28 Feb, 31 Aug	
Distribution Dates:	30 Apr, 31 Oct	
Ongoing Charges Figure:	28 Feb 19	28 Feb 18
	0.60%	0.98%

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

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

Risk and Reward Profile



- This Risk and Reward Indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is not guaranteed to remain the same and may change over time. It is based on historical data and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table above shows the Fund's ranking on the Risk and Reward Indicator.
- The Fund is in category five because it invests in company shares which are sensitive to variations in the stock market. The value of company shares can change substantially over short periods of time. Company shares are generally considered to be higher risk investments than bonds or cash.
- Even a fund in the lowest category is not a risk free investment.

Distribution Information

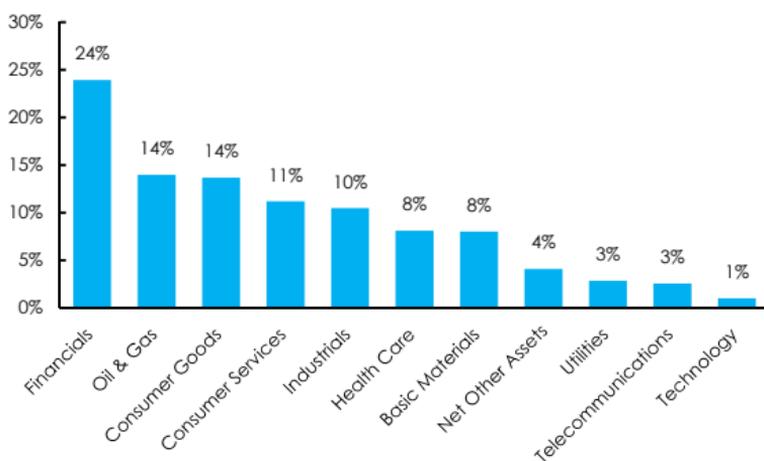
The distribution payable on 30 April 2019 is 2.3435p per unit for accumulation units.

Portfolio Information

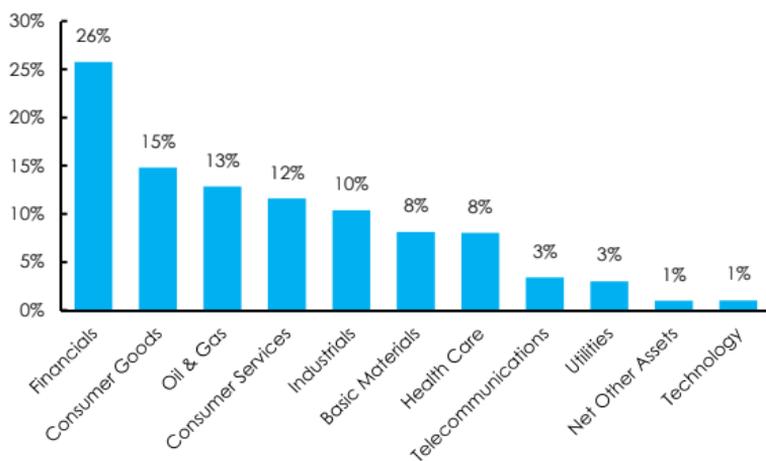
The top 10 holdings and their associated weighting at the current and preceding year ends were:

Top 10 Holdings at 28 February 2019		Top 10 Holdings at 28 February 2018	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
HSBC	5.51%	HSBC	6.31%
BP	4.65%	British American Tobacco	4.26%
Royal Dutch Shell 'A' (Dutch Listing)	4.31%	Royal Dutch Shell 'A' (Dutch Listing)	4.04%
Royal Dutch Shell 'B'	3.99%	BP	4.03%
AstraZeneca	3.48%	Royal Dutch Shell 'B'	3.83%
GlaxoSmithKline	3.29%	GlaxoSmithKline	2.76%
Diageo	3.13%	Diageo	2.66%
British American Tobacco	2.80%	AstraZeneca	2.65%
Rio Tinto	2.23%	Vodafone Group	2.36%
Lloyds Banking Group	2.02%	Lloyds Banking Group	2.15%

Fund Holdings as at 28 February 2019



Fund Holdings as at 28 February 2018



Comparative Tables

R-Class Accumulation Units

Change in Net Asset Value per Unit

Accounting Year ending	28/02/19 (pence per unit)	28/02/18 (pence per unit)	28/02/17 (pence per unit)
Opening net asset value per unit	159.51	153.81	126.67
Return before operating charges*	2.16	7.27	29.14
Operating charges (calculated on average price)	(0.98)	(1.57)	(2.00)
Return after operating charges*	1.18	5.70	27.14
Distributions	(5.81)	(4.37)	(3.63)
Retained distributions on accumulation units	5.81	4.37	3.63
Closing net asset value per unit	160.69	159.51	153.81
* after direct transaction costs of:	0.02	0.02	0.02

Performance

Return after charges	0.74%	3.71%	21.42%
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Other Information

Closing net asset value (£)	141,363,786	148,952,550	152,732,031
Closing number of units	87,970,469	93,379,602	99,299,971
Operating charges†	0.60%	0.98%	1.43%
Direct transaction costs	0.01%	0.01%	0.01%

Prices

Highest unit price	175.00p	170.20p	160.00p
Lowest unit price	148.60p	152.40p	125.20p

† Operating charges, otherwise known as the OCF is the ratio of the Fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Fund.

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.

Manager's Investment Report

During the year under review, the bid price of the Fund's accumulation units increased by 0.75%. FTSE, the Index compiler, calculates the benchmark Index at the end of the business day using closing prices, whereas the Fund is valued using prevailing prices at 12 pm. Therefore, for tracking purposes the Fund has been revalued using closing prices. On this basis, over the review year, the Fund decreased by 2.11% on a capital only basis, compared with the FTSE 350 Index decrease of 2.23% (Source: Bloomberg), producing a tracking difference of +0.12%.

Past performance is not a guide to future performance.

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Market/Economic Review

Despite closing 2017 on a positive note, UK equities faltered during the first quarter of 2018 recording three consecutive months of losses before rallying in April and May. Initially, Sterling strengthened with the currency reaching its highest level since the 2016 referendum, surpassing \$1.40 at the end of January. This caused a headwind for companies and sectors with high international earnings, notably food & beverages. Subsequently, the currency weakened providing a boost for the same companies. Although the Bank of England indicated interest rates may need to be increased as soon as May, the economy grew at its slowest pace for six years during the first quarter leading the Bank to adopt a more cautious approach, raising its benchmark base rate to 0.75% in August. The healthcare and energy sectors performed well, boosted by merger and acquisition activity and by the strength of the oil price. UK equities struggled from August onwards as Brexit-related headlines intensified, along with the probability attached to a no deal scenario.

In GBP terms, the UK major sectors such as Pharmaceuticals & Biotechnology (+24.25%), Industrial Metals & Mining (+18.22%) and Beverages (+18.01%) showed the largest positive returns during the review year, whilst Industrial Transportation (-35.86%), Automobiles & Parts (-35.20%) and Mobile Telecommunications (-33.36%) were the worst performing sectors on a price only basis.

Manager's Investment Report continued

In the UK again in GBP terms, the large-cap FTSE 100 Index (-2.17%) has weathered market turbulence much better than the mid-cap focused FTSE 250 Index (-2.57%) and the FTSE SmallCap Index (-4.93%) that have greater domestic focus.

Fund Review

Companies held within the Fund are held with weightings generally proportionate to those of the Index. Hence investment activity, other than to raise or invest cash, is only necessary when there are changes in the issued share capital or free float of the constituent companies, or to the constituents of the Index.

During the year under review there were four Index reviews carried out by FTSE. The March quarterly Index review resulted in seven additions and seven deletions. The largest additions were Pantheon International, Baillie Gifford Japan Trust and Games Workshop Group. The largest deletions were MITIE Group, Vectura Group and Hansteen Holdings. There were 44 changes to the free share capital of constituents with the largest increases being Royal Dutch Shell 'A' and Ocado Group and the largest decreases being Diageo and Rio Tinto.

The annual Index review in June resulted in four additions and four deletions. Promotions from FTSE SmallCap were Laird and Premier Oil, whilst IntegraFin and Energean Oil & Gas were both added to the FTSE All-Share universe. The largest deletions were Marstons, Woodford Patient Capital Trust and Pets At Home Group. There were 213 changes to the free share capital of constituents with the largest increases being BP and Royal Bank of Scotland Group and the largest decreases being Melrose Industries and Rio Tinto.

The September quarterly Index review resulted in Plus500, Avast, Vivo Energy and Amigo being added to the FTSE 350 and the FTSE All-Share universe replacing McCarthy & Stone, RDI REIT, Renewi and Alfa Financial Software Holdings which were demoted to the FTSE SmallCap. There were 46 changes to the free share capital of constituents with the largest increases being Melrose Industries and Standard Life Aberdeen and the largest decreases being Unilever (UK listing) and Ocado Group.

The December quarterly Index review resulted in six additions and deletions. Smithson Investment Trust, Aston Martin Lagonda Global and Funding Circle were movements into the FTSE All-Share universe whilst McCarthy & Stone, Acacia Mining and Woodford Patient Capital Trust were promoted from the FTSE SmallCap. Demotions included Kier Group, Thomas Cook and AA. There were 56 changes to the free share capital of constituents with the largest increases being Rolls-Royce and Polymetal International and the largest decreases being Royal Dutch Shell 'A' and Lloyds Banking Group.

Manager's Investment Report continued

Outside of the Index reviews there was a noticeable amount of overseas merger and acquisition (M&A) activity. Booker was deleted from the Index as a result of all stock merger with Tesco. Aldermore Group was acquired by FirstRand Limited for cash. GKN was taken over by Melrose Industries in exchange for stock. UBM was acquired by Informa in stock acquisition. Ladbrokes Coral Group merged with GVC. Virgin Money Holdings acquired by CYBG in an all stock deal. CME Group merged with NEX Group in cash and stock deal. Randgold Resources merged with Barrick Gold (Canada) in stock deal. The cash deals included Fidessa Group acquired by ION Bidco, Fenner by Michelin 'B', ZPG by Zephyr Bidco, Laird by AI Ladder Limited, Vedanta Resources by Volcan Investments Limited, SKY by Comcast, John Laing Infrastructure Fund by Jura Acquisitions Limited, Esure Group by Blue (BC) Bidco. As M&A targets were deleted from the Index a number of stocks were promoted from the FTSE Small Cap Index including Edinburgh Dragon Trust, VinaCapital Vietnam Opportunity Fund, Primary Health Properties, AA, JPMorgan Japanese Investment Trust, Fidelity Special Values, Keller, BlackRock Smaller Companies Trust, Hilton Food Group, BBGI SICAV, EI Group, Restaurant Group, HgCapital Trust and Sabre Insurance Group.

The largest Index change included Shire being acquired by Takeda Pharmaceuticals for cash and stock. Other significant changes included the Quilter spin-off from Old Mutual with Old Mutual being deleted from the Index as a result of change of domicile from UK to South Africa. RELX increased its weight in the Index as a result of simplification of RELX Group's corporate structure, moving from the dual parent holding company structure to a single parent company domiciled in UK. Royal Bank of Scotland Group increased its free float as a result of HMRC selling a portion of their stake and reducing its holding to 62.4%.

Companies raising capital via rights issues included John Laing Group, Galliford Try, Provident Financial, Phoenix Group and DS Smith. The Weir Group and Metro Bank raised capital for growth via primary placings. Secondary placings that resulted in companies having their freely available share capital increased in the Index were made for ConvaTec Group and Just Group.

At the end of the year the three largest stocks in the Index were Royal Dutch Shell (9.14%), HSBC (5.77%) and BP (4.89%).

Outlook

Following the rate hike in August to 0.75%, the Bank of England (BoE) is likely to stay on hold until next year. Despite above-target inflation, the BoE will be wary to hike again in the midst of a congested Brexit timetable. Better fiscal position opens up space for further easing, more likely to be deployed ahead of the next election, e.g. NHS spending. We have maintained our UK GDP

Manager's Investment Report continued

growth rate expectation at 1.3% in 2018 and 1.5% in 2019. A Brexit 'No deal' scenario is still a possibility, however, we estimate the probability of this outcome to be low. Headline inflation is expected to stay below 3% unless oil rises further. Our view is that the fundamentals driving economic growth remain relatively strong, and global growth is synchronised and therefore see limited recession risks in the next 12 months.

The Fund remains well positioned to capture the performance of the Index.

Legal & General Investment Management Limited
(Investment Adviser)
28 March 2019

Manager's Report and Accounts

Copies of the most recent Interim and Annual Long Form Manager's Reports are available free of charge by telephoning 0370 050 0955, by writing to the Manager or are available on the internet at www.legalandgeneral.com/investments/fund-information/managers-reports.

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

Information on Tracking Error

The 'Tracking Error' of a Fund is the measure of the volatility of the differences between the return of the Fund and the return of the benchmark Index. It provides an indication of how closely the Fund is tracking the performance of the benchmark Index after considering things such as Fund charges and taxation.

Using monthly returns, over the review year, the annualised Tracking Error of the Fund is 0.09%, whilst over the last three years to the end of February 2019, the annualised Tracking Error of the Fund is 0.15%. These Tracking Errors are within the anticipated Tracking Error levels set out in the Fund's Prospectus of +/-0.50% per annum.

Dual Pricing Arrangement

The Manager's fixed dual pricing arrangement has a set spread to account for the costs of transacting in a particular Fund. 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. The revenue generated from this activity is calculated on a monthly basis and returned to the Fund in the form of a payment from the Manager. This provides an enhanced return to the Fund, though the size of any return will be dependent on the size of subscriptions and redemptions.

Minimum Investment Amounts

The minimum initial lump sum investment amount is £500. Monthly contributions can be made with a minimum amount of £50 per month.

Other Information

The information in this report is designed to enable unitholders to understand how the Fund has performed during the year under review and how it is invested at the year end. Further information on the activities and performance of the Fund can be obtained by telephoning 0370 050 0955 or by writing to the Manager.

Significant Changes

Change of Fund Management Fees (FMF)

With effect from 1 June 2018, the FMF for R-Class Accumulation units have been reduced from 0.82% to 0.52%.

Change of Auditor

With effect from 28 April 2018, PricewaterhouseCoopers LLP ceased to be Independent Auditors of the Fund and KPMG LLP have been appointed. The change of Auditor has no impact on the way the Fund is operated.

General Data Protection Regulation (GDPR)

Legal & General takes your privacy very seriously. Under data protection legislation, we have classified ourselves as a 'data controller'. This means that we are subject to certain obligations relating to how we process personal data. These obligations include, without limitation, providing individuals with certain information regarding how we process their personal data.

We will use the personal data you have provided to us in connection with an investment in units of Legal & General (Alliance & Leicester) Capital Growth Fund, including your name, age, contact details, bank account details, transactions and the invested amount, and any information regarding the dealing in units in accordance with all applicable data protection laws and our Privacy Policy which is available from 25 May 2018 at www.lgim.com/UTM/privacy (or available upon request). Our Privacy Policy sets out, amongst other things, the purpose or purposes for which your personal data is collected and intended to be processed and also contains any other information prescribed by data protection legislation.

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.

Trustee

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Canary Wharf,

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Authorised by the Prudential Regulation Authority and regulated

by the Financial Conduct Authority and the Prudential

Regulation Authority

Independent Auditors

KPMG LLP

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London E14 5GL

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Financial Conduct Authority**

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