

Legal & General
UK Smaller Companies Trust
**Interim Manager's
Short Report**
**for the period ended
15 December 2017**

**EVERY
DAY
MATTERS.®**



Investment Objective and Policy

The investment objective of this Trust is to maximise capital growth from a portfolio of UK securities, and which will largely consist of smaller companies, and which may be selected from all economic sectors.

The Manager's policy for putting this into effect will be to invest primarily in those companies that comprise the lowest 10% by capitalisation of the main UK equity markets.

Risk Profile

Market Risk

Market risk arises mainly from uncertainty about future prices. It represents the potential loss the Trust 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.

The Trust can invest in securities which are issued by smaller companies and, therefore, there is likely to be increased volatility in price movements. The securities may also be less liquid than securities on larger exchanges which are generally traded more frequently.

Trust Facts

Period End Dates for Distributions:	15 Dec, 18 Jun*	
Distribution Dates:	15 Feb, 18 Aug*	
Ongoing Charges Figures:	15 Dec 2017	18 Jun 17
R-Class	1.66%	1.77%
E-Class	1.77%	1.77%
F-Class	1.16%	1.27%
I-Class	0.83%	0.88%

* See Significant Changes on page 8.

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.

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.

Distribution Information

R-Class

The distribution payable on 15 February 2018 is 1.6894p per unit for distribution units and 1.8879p per unit for accumulation units.

E-Class

The distribution payable on 15 February 2018 is 1.6894p per unit for distribution units and 1.8879p per unit for accumulation units.

F-Class

The distribution payable on 15 February 2018 is 4.2187p per unit for distribution units and 4.8658p per unit for accumulation units.

I-Class

The distribution payable on 15 February 2018 is 6.1086p per unit for distribution units and 7.0720p per unit for accumulation units.

Net Asset Values and Units in Issue

Class	Net Asset Value (£)	Units in Issue	Net Asset Value per Unit (p)
R-Class			
Distribution Units	59,125,662	6,143,879	962.35
Accumulation Units	19,503,488	1,809,101	1,078.08
E-Class			
Distribution Units	245,978,201	25,560,143	962.35
Accumulation Units	8,441,691	783,033	1,078.08
F-Class			
Distribution Units	629	64	982.81
Accumulation Units	68,387	6,051	1,130.18
I-Class			
Distribution Units	3,836,668	390,294	983.02
Accumulation Units	4,413,793	382,311	1,154.50

Past performance is not a guide to future performance.

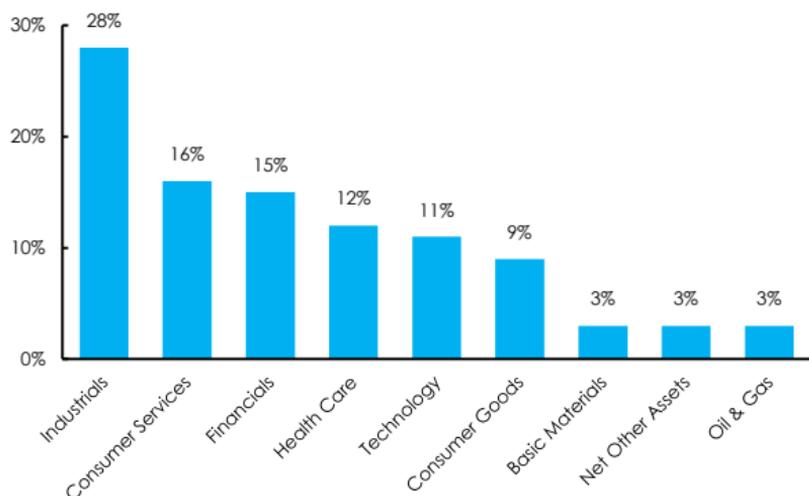
The price of units and any income from them may go down as well as up.

Portfolio Information

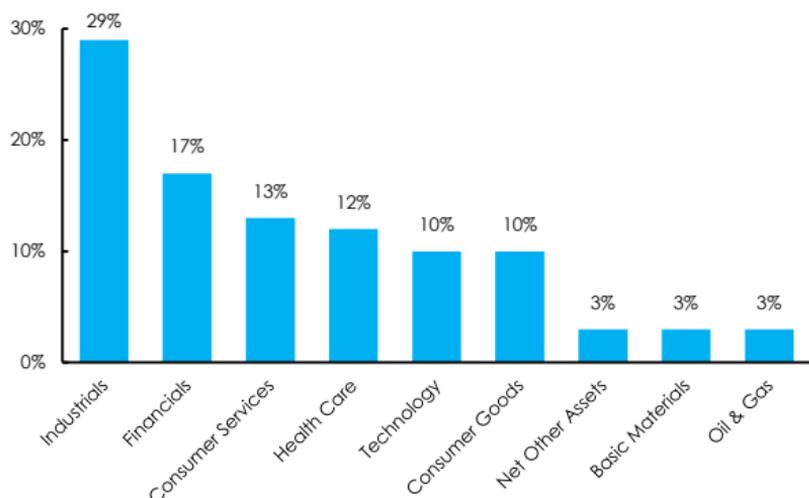
The top 10 holdings and their associated weighting at the current period end and preceding year end were:

Top 10 Holdings at 15 December 2017		Top 10 Holdings at 18 June 2017	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
Safestore	3.70%	Safestore	3.75%
First Derivatives	3.22%	First Derivatives	3.23%
Cranswick	2.97%	Cranswick	3.06%
Dechra Pharmaceuticals	2.53%	Northgate	2.73%
Genus	2.43%	Dechra Pharmaceuticals	2.42%
Keller Group	2.33%	Crest Nicholson	2.21%
Victrex	2.23%	Keller Group	2.14%
Senior	2.16%	Workspace Group	2.14%
Workspace Group	2.10%	Senior	2.11%
Crest Nicholson	2.09%	Hill & Smith	2.10%

Trust Holdings as at 15 December 2017



Trust Holdings as at 18 June 2017



Manager's Investment Report

During the period under review, the bid price of the Trust's R-Class accumulation units rose by 6.00%. This compares to a rise in the Numis Securities Smaller Companies Ex Investment Trust Index of 3.47% on a total return 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.

Market/Economic Review

Global equity markets have made further gains in the review period, reflecting a steady improvement in economic indicators and growing optimism among investors for earnings prospects over the second half of 2017. However, there has been a cooling of the so-called reflation trade that dominated markets in the latter half of 2016 when commodity-related sectors and financials performed relatively well. Instead, investors have favoured technology stocks in anticipation of an upturn in the semiconductor industry, while earnings announcements from the major technology companies, particularly in the US, have also been encouraging. In contrast, utilities and telecommunications, both sectors more sensitive to bond markets, have underperformed. Returns from UK equities have been disappointing. Political uncertainty has weighed on confidence in the UK economic outlook, with the general election in June resulting in a hung parliament, and Brexit negotiations have seen little progress. In the latest Autumn Budget, official forecasts for UK economic growth were downgraded both for this year and over the next two years. Japanese and smaller Asian markets were strongest in Sterling terms.

In Japan, investors reacted favourably to a resounding victory for incumbent Prime Minister Shinzo Abe in the general election, which was viewed as heralding further economic reforms. Asian equity markets were boosted by improving Chinese economic indicators, as the authorities prioritised currency stabilisation and strengthening the domestic economy. In Europe, corporate results have highlighted improving earnings momentum, while indicators suggest regional economic activity is accelerating with economic confidence in the Eurozone recording its highest level for more than a decade. In the US, an improving economic background and the passing of the Republican tax plan have underpinned share prices. More broadly, emerging markets have outperformed the World Index as concerns over the risk of a protectionist approach to US trade policy have abated in recent months.

Trust Review

Equity markets continued to gain ground over the review period despite a minor decline in November as the US tax reform push faced brief uncertainty. During this period the Trust's performance delivered a positive return. Our overweight allocation to select industrial stocks helped boost performance over the first half of the period but unfortunately proved to be a drag on returns towards

Manager's Investment Report continued

the end of 2017. The Organisation of Petroleum Exporting Countries agreement to extend production cuts helped put a floor under the oil price and therefore our underweight positioning in the energy sector and oil-exposed companies also weighed on performance.

Wizz Air contributed to performance across the review period. Wizz announced an agreement with Airbus for a combined order of 146 new aircraft. This follows the recent acquisition of vacated Monarch landing slots at Luton airport. Following a difficult start to the review period, Safestore Holdings gained in the final quarter of 2017 following the announcement that the company was acquiring Stork Self Storage Holding for £56 million. The acquisition expands Safestore's portfolio to 146 stores, consolidating its position as the UK's largest provider to extend their reach.

In terms of trading activity during the review period, we added billing software company Boku, as part of a successful IPO in November 2017. Boku provides a mobile payment platform, enabling the global community of five billion mobile users to pay for goods and services via their mobile phones, with purchases linked to their phone bills. With the explosion of premium mobile content such as music streaming, and the rise of the app store, merchants such as Apple and Spotify are turning to Boku as the primary provider to extend their reach.

We reduced our position in Ted Baker, which has been a long-term strong performer. While we continue to like the brand and are impressed by the improving trend in online, we are concerned about the long-term outlook for store sales growth, particularly new space. There is also potential for gross margin dilution, given the discount environment, in which Ted Baker has been forced to become more actively involved in outside of traditional key seasonal shifts in inventory.

Outlook

While there is limited visibility of the path to Brexit and clear risks to the UK economy, UK equities should not be ignored. As general appetite for UK equities has languished over the past 18 months, we are more positive about the road ahead. Sterling has rallied in recent months as the risk of a Brexit 'no deal' has diminished, and while sector valuation dispersion clearly exists, it does not prohibit us from finding interesting opportunities.

Overall, we believe global growth continues to be robust and broad-based. This is driven by a period of synchronised growth and an increase in industrial activity and corporate investment: three features that bode well for further improvement in earnings and corporate profitability.

Legal & General Investment Management Limited
(Investment Adviser)
10 January 2018

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.

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. 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.

Minimum Investment Amounts

The minimum initial lump sum investment amounts for each class are as follows:

R-Class	£500
F-Class	£500
I-Class	£1,000,000

In addition, monthly contributions can be made into the R-Class and F-Class with a minimum amount of £50 per month.

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.

Other Information

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

Significant Changes

Closure of E-Class

As at the 15 December 2017, the E-Class was closed. All unitholders in the E-Class as at 15 December 2017 have been moved into the R-Class which is identical to the E-Class. The terms and charges are identical between the classes.

Change of Accounting Date

The Trust's Interim accounting date, usually 18 December, has been moved to 15 December 2017 in order to facilitate the closure of E-Class as detailed above. As such, the Trust's corresponding distribution payment date, usually 18 February will be made on 15 February 2018. The accounting and distribution payment dates will revert to their normal dates after this event.

Reduction of FMF

With effect from 2 January 2018, the Fund Management Fees (FMF) have been reduced for the R-Class from 1.77% to 1.53%, for the F-Class from 1.27% to 1.03% and for the I-Class from 0.88% to 0.78%.

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

Northern Trust Global Services Limited

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

Independent Auditors

PricewaterhouseCoopers LLP

7 More London Riverside

London SE1 2RT

**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
UKS0218

