

Legal & General UK Equity Income Fund  
**Annual Manager's  
Short Report  
for the year ended  
24 January 2018**

**EVERY  
DAY  
MATTERS.®**





## Investment Objective and Policy

The Fund aims to provide an income in excess of the FTSE All Share Index yield and to provide capital growth over the long term.

The Manager will seek to achieve the investment objective by investing predominantly in the securities of companies domiciled in the UK or in companies which have a significant part of their activities in the UK but which are domiciled or quoted on a regulated market outside the UK. The Fund may also invest in other non-UK domiciled securities which are traded in the UK. The Fund may use depositary receipts and derivatives both for efficient portfolio management and investment purposes.

The Fund may also invest in other transferable securities, permitted deposits, money market instruments, cash, near cash and units in collective investment schemes.

## 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.

### Currency Risk

This Fund holds investments in overseas financial securities. The performance of the Fund may therefore be affected by changes in exchange rates. This risk may be managed by the use of forward currency contracts, which aim to manage the effect of changing exchange rates.

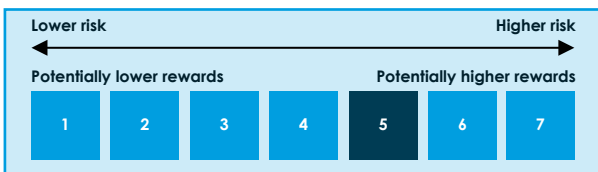
## Fund Facts

Period End Dates for Distributions:	24 Jan, 24 Apr, 24 Jul, 24 Oct	
Distribution Dates:	24 Mar, 24 Jun, 24 Sep, 24 Dec	
Ongoing Charges Figures:	24 Jan 18	24 Jan 17
R-Class	1.75%	1.76%
F-Class	1.25%	1.26%
I-Class	0.87%	0.87%
L-Class	0.12%	0.12%

The Ongoing Charges Figure (OCF) is the ratio of the Fund's total discloseable 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



- The risk and reward indicator is based on historical data which may not be a reliable indication of the Fund's risk and reward category in the future.
- The category is based on the rate at which the value of the Fund has moved up and down in the past.
- This Fund 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 Fund's category is not guaranteed to remain the same and may change over time.
- Even a fund in the lowest category is not a risk free investment.

## Distribution Information

### R-Class

The distribution payable on 24 March 2018 is 0.4189p per unit for distribution units and 0.5497p per unit for accumulation units.

### F-Class

The distribution payable on 24 March 2018 is 0.4322p per unit for distribution units and 0.5671p per unit for accumulation units.

### I-Class

The distribution payable on 24 March 2018 is 0.4437p per unit for distribution units and 0.5822p per unit for accumulation units.

### L-Class

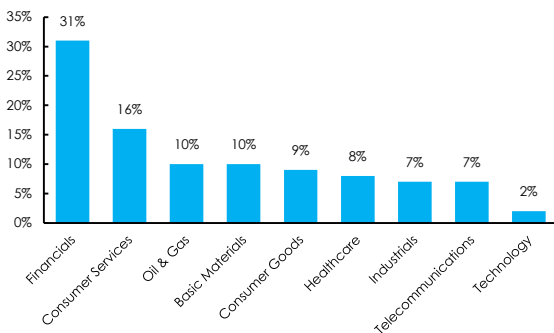
The distribution payable on 24 March 2018 is 0.4660p per unit for distribution units.

## Portfolio Information

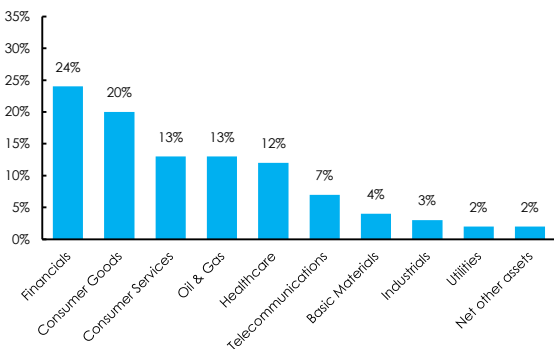
The top 10 holdings and their associated weighting at the current and preceding year ends were:

Top 10 Holdings at 24 January 2018		Top 10 Holdings at 24 January 2017	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
BP	5.04%	HSBC	5.70%
Rio Tinto	4.66%	BP	5.04%
Royal Dutch Shell 'B'	4.51%	British American Tobacco	4.80%
Vodafone Group	4.25%	Royal Dutch Shell 'A'	4.77%
Lloyds Banking Group	4.25%	Imperial Brands	4.56%
HSBC	4.22%	AstraZeneca	4.26%
Prudential	4.00%	Vodafone Group	3.96%
British American Tobacco	2.95%	Lloyds Banking Group	3.72%
GlaxoSmithKline	2.92%	Royal Dutch Shell 'B'	3.41%
BHP Billiton	2.83%	GlaxoSmithKline	3.36%

## Fund Holdings as at 24 January 2018



## Fund Holdings as at 24 January 2017



## Comparative Tables

### R-Class Distribution Units

#### Change in Net Asset Value per Unit

Accounting year ending	24/01/18 (pence per unit)	24/01/17 (pence per unit)	24/01/16 (pence per unit)
Opening net asset value per unit	59.42	54.73	59.87
Return before operating charges*	7.69	8.24	(1.84)
Operating charges (calculated on average price)	(1.09)	(1.01)	(1.00)
Return after operating charges*	6.60	7.23	(2.84)
Distributions on income units	(2.82)	(2.54)	(2.30)
Closing net asset value per unit	63.20	59.42	54.73
* after direct transaction costs of:	0.11	0.16	0.18

### Performance

Return after charges	11.11%	13.21%	(4.74)%
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### Other Information

Closing net asset value (£)	150,658,580	151,014,666	149,823,424
Closing number of units	238,379,890	254,156,558	273,774,078
Operating charges†	1.75%	1.76%	1.67%
Direct transaction costs	0.18%	0.27%	0.27%

### Prices

Highest unit price	68.06p	65.39p	67.15p
Lowest unit price	59.42p	51.19p	53.44p

† 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.**

## Comparative Tables continued

### R-Class Accumulation Units

#### Change in Net Asset Value per Unit

Accounting year ending	24/01/18 (pence per unit)	24/01/17 (pence per unit)	24/01/16 (pence per unit)
Opening net asset value per unit	75.02	66.14	69.62
Return before operating charges*	9.86	10.13	(2.30)
Operating charges (calculated on average price)	(1.40)	(1.25)	(1.18)
Return after operating charges*	8.46	8.88	(3.48)
Distributions	(3.62)	(3.12)	(2.71)
Retained distributions on accumulation units	3.62	3.12	2.71
Closing net asset value per unit	83.48	75.02	66.14
* after direct transaction costs of:	0.14	0.19	0.18

#### Performance

Return after charges	11.28%	13.43%	(5.00)%
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#### Other Information

Closing net asset value (£)	45,109,062	42,367,750	39,376,099
Closing number of units	54,033,037	56,472,846	59,533,303
Operating charges†	1.75%	1.76%	1.67%
Direct transaction costs	0.18%	0.27%	0.27%

#### Prices

Highest unit price	86.95p	81.80p	78.87p
Lowest unit price	74.78p	61.88p	64.01p

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## Comparative Tables continued

### F-Class Distribution Units

#### Change in Net Asset Value per Unit

Accounting year ending	24/01/18 (pence per unit)	24/01/17 (pence per unit)	24/01/16 (pence per unit)
Opening net asset value per unit	61.05	55.95	60.90
Return before operating charges*	7.91	8.44	(1.90)
Operating charges (calculated on average price)	(0.80)	(0.74)	(0.71)
Return after operating charges*	7.11	7.70	(2.61)
Distributions on income units	(2.90)	(2.60)	(2.34)
Closing net asset value per unit	65.26	61.05	55.95
* after direct transaction costs of:	0.11	0.16	0.18

### Performance

Return after charges	11.65%	13.76%	(4.29)%
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### Other Information

Closing net asset value (£)	37,827	50,906	50,473
Closing number of units	57,962	83,388	90,210
Operating charges†	1.25%	1.26%	1.17%
Direct transaction costs	0.18%	0.27%	0.27%

### Prices

Highest unit price	66.81p	63.98p	65.16p
Lowest unit price	60.88p	52.34p	54.62p

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## Comparative Tables continued

### F-Class Accumulation Units

#### Change in Net Asset Value per Unit

Accounting year ending	24/01/18 (pence per unit)	24/01/17 (pence per unit)	24/01/16 (pence per unit)
Opening net asset value per unit	77.06	67.59	70.79
Return before operating charges*	10.16	10.38	(2.36)
Operating charges (calculated on average price)	(1.04)	(0.91)	(0.84)
Return after operating charges*	9.12	9.47	(3.20)
Distributions	(3.73)	(3.19)	(2.76)
Retained distributions on accumulation units	3.73	3.19	2.76
Closing net asset value per unit	86.18	77.06	67.59
* after direct transaction costs of:	0.15	0.20	0.18

#### Performance

Return after charges	11.83%	14.01%	(4.52)%
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#### Other Information

Closing net asset value (£)	52,736	38,824	33,595
Closing number of units	61,192	50,381	49,704
Operating charges†	1.25%	1.26%	1.17%
Direct transaction costs	0.18%	0.27%	0.27%

#### Prices

Highest unit price	87.65p	80.01p	76.51p
Lowest unit price	76.82p	63.25p	65.41p

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## Comparative Tables continued

### I-Class Distribution Units

#### Change in Net Asset Value per Unit

Accounting year ending	24/01/18 (pence per unit)	24/01/17 (pence per unit)	24/01/16 (pence per unit)
Opening net asset value per unit	62.45	57.01	61.80
Return before operating charges*	8.11	8.62	(1.93)
Operating charges (calculated on average price)	(0.57)	(0.52)	(0.48)
Return after operating charges*	7.54	8.10	(2.41)
Distributions on income units	(2.97)	(2.66)	(2.38)
Closing net asset value per unit	67.02	62.45	57.01
* after direct transaction costs of:	0.12	0.16	0.18

#### Performance

Return after charges	12.07%	14.21%	(3.90)%
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#### Other Information

Closing net asset value (£)	4,905,057	4,799,926	3,861,789
Closing number of units	7,318,876	7,686,493	6,774,071
Operating charges†	0.87%	0.87%	0.78%
Direct transaction costs	0.18%	0.27%	0.27%

#### Prices

Highest unit price	68.61p	65.43p	66.22p
Lowest unit price	62.28p	53.34p	55.66p

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## Comparative Tables continued

### I-Class Accumulation Units

#### Change in Net Asset Value per Unit

Accounting year ending	24/01/18 (pence per unit)	24/01/17 (pence per unit)	24/01/16 (pence per unit)
Opening net asset value per unit	78.86	68.91	71.88
Return before operating charges*	10.39	10.59	(2.40)
Operating charges (calculated on average price)	(0.72)	(0.64)	(0.57)
Return after operating charges*	9.67	9.95	(2.97)
Distributions	(3.82)	(3.26)	(2.81)
Retained distributions on accumulation units	3.82	3.26	2.81
Closing net asset value per unit	88.53	78.86	68.91
* after direct transaction costs of:	0.15	0.20	0.18

#### Performance

Return after charges	12.26%	14.44%	(4.13)%
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#### Other Information

Closing net asset value (£)	4,893,655	118,149,996	190,952,373
Closing number of units	5,527,660	149,830,941	277,123,898
Operating charges†	0.87%	0.87%	0.78%
Direct transaction costs	0.18%	0.27%	0.27%

#### Prices

Highest unit price	90.04p	81.87p	77.79p
Lowest unit price	78.61p	64.49p	66.68p

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## Comparative Tables continued

### L-Class Distribution Units

#### Change in Net Asset Value per Unit

Accounting year ending	24/01/18 (pence per unit)	24/01/17 (pence per unit)	24/01/16 (pence per unit)
Opening net asset value per unit	65.16	59.04	63.52
Return before operating charges*	8.50	8.95	(2.00)
Operating charges (calculated on average price)	(0.08)	(0.07)	(0.02)
Return after operating charges*	8.42	8.88	(2.02)
Distributions on income units	(3.11)	(2.76)	(2.46)
Closing net asset value per unit	70.47	65.16	59.04
* after direct transaction costs of:	0.12	0.17	0.18

#### Performance

Return after charges	12.92%	15.04%	(3.18)%
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#### Other Information

Closing net asset value (£)	69,709,915	85,362,125	119,174,844
Closing number of units	99,039,920	131,001,908	201,851,537
Operating charges†	0.12%	0.12%	0.03%
Direct transaction costs	0.18%	0.27%	0.27%

#### Prices

Highest unit price	72.13p	68.27p	68.24p
Lowest unit price	65.00p	55.27p	57.63p

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## **Manager's Investment Report**

During the year under review, the bid price of the Fund's R-Class accumulation units rose by 11.34%.

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## **Market/Economic Review**

The global economic background has improved over the past twelve months, led by solid growth in the major developed economies. Despite a rise in commodity prices, with the oil price ending the year at a three-year high, inflationary pressures worldwide have remained subdued. In the US, economic activity has accelerated with output growing at an annualised rate of over 3% during both the second and third quarters of 2017. Growth has been underpinned by improving consumer and business sentiment, a stronger labour market and a recovery in the energy sector. In the UK, both economic and political uncertainty have heightened over the last 12 months, as the June general election resulted in a hung parliament and Brexit negotiations began. The Bank of England voted to increase interest rates to 0.5% in November, removing the emergency support announced in August 2016 in the wake of the EU referendum.

Equities recorded double-digit percentage gains as a combination of an improving global economic outlook, low inflation and supportive central bank policies underpinned markets worldwide. Equity markets have also been supported by positive earnings momentum, and by companies buying back their own shares. Over the last 12 months investors have favoured technology stocks with earnings from a number of leading US companies exceeding expectations, while basic materials have performed well, led by mining stocks. Energy stocks weakened before retrieving some lost ground as the reporting year ended, rallying in line with the oil price in recent months on evidence that a supply squeeze from the Organisation of Petroleum Exporting Countries is now finally affecting inventories.

## **Fund Review**

Over the review year, the Fund delivered a positive return.

The first six months of the review year saw solid gains for the Fund but unfortunately some of those gains were given back in the final month of the year. The Fund's holding in British American Tobacco proved detrimental over this time, as the stock sold off in response to a proposal from the US Food and Drug Administration to limit the level of nicotine in cigarettes.

A number of holdings gained ground over the latter half of the year, especially over a strong December period. This includes general retailer Next which provided some festive cheer after the company reported a better-than-expected trading update.

## **Manager's Investment Report continued**

Pre-Christmas sales were helped by favourable weather in November and December, as well as improvements made to mobile and online. Management also provided some reassuring guidance for the year ahead.

After holding steady for much of the year, diversified financial company Saga fell back sharply towards the end of 2017. The company, which provides insurance and travel services, issued a profit warning that resulted in its shares falling heavily.

Management also lowered growth expectations for the current year and the next. This is largely a result of trading in the home broking and travel business, which has been under considerable pressure in the past year – in turn partly due to the administration of Monarch.

In terms of trading activity, we added advertising and public relations business WPP to the portfolio. We also introduced a new position in UK gambling company GVC. The company operates a portfolio of well-known gaming brands that offers geographic diversity, led by its acquisition of bwin.party in 2015. GVC recently announced intentions to acquire Ladbrokes Coral for a mixture of cash and shares. We believe this is an attractive deal that will help drive greater scale as well as the potential for high cost and revenue synergies.

### **Outlook**

Following a strong year for global equity markets, we anticipate another year of robust earnings growth in 2018. This will be supported by the continuation of synchronised global growth, while a pick-up in merger and acquisition activity will be driven by a return of investment and business confidence. However, we are also mindful that the removal of loose monetary policy may prompt a change in market leadership as the year progresses. In the UK, political risks remain and there is scope for inflation to become an increasing concern.

We retain our value bias over growth, seeking pockets in the market that we deem attractive on multiple metrics. On positioning, we continue to avoid bond proxies, maintaining a preference for out-of-favour areas such as financials and consumer services.

Legal & General Investment Management Limited  
(Investment Adviser)  
16 February 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](http://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 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 amounts for each class are as follows:

R-Class	£500
F-Class	£500
I-Class	£1,000,000
C-Class	£20,000,000
L-Class	£100,000

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 Fund, 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.

C-Class Units are only available to distributors who actively market and distribute such Units (or whom the manager believes intends to do so) and to whom the Manager has confirmed that such distributor or investor meets the criteria for investment in such Units.

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

## 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.

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

## Significant Changes

### Removal of the Initial Charge for R-Class

With effect from 6 June 2017, the initial charge for R-Class units has been removed. Prior to this change the initial charge was 5%. The removal of the initial charge will provide better value for investors, as there is no longer a cost of setting up the investment.

### Removal of Initial Commission

With effect from 6 June 2017, initial commission will no longer be paid on the Fund. The initial commission was intended to reflect the costs incurred by the product provider and the intermediary for setting up and selling the business, however, Legal & General no longer consider it appropriate to continue to pay commission on such transactions.

### Reduction of FMF

With effect from 2 January 2018, the Fund Management Fees (FMF) have been reduced as follows:

	Old FMF	New FMF
R-Class	1.77%	1.53%
F-Class	1.27%	1.03%
I-Class	0.88%	0.78%
L-Class	0.13%	0.03%

### New Unit Class: C-Class

With effect from 28 February 2018, C-Class units have been launched with distribution and accumulation units available.



**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  
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