

Legal & General UK Equity Income Fund
**Interim Manager's
Short Report
for the period ended
24 July 2017**

**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.

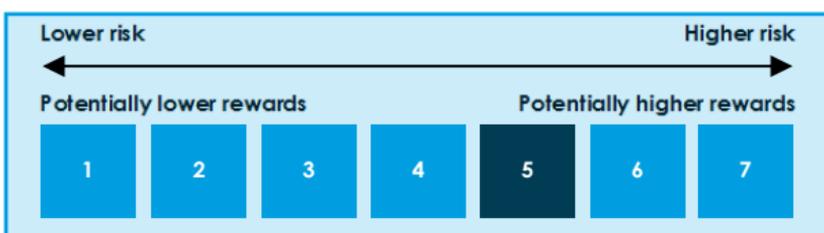
Fund Facts

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 Jul 17	24 Jan 17
R-Class	1.77%	1.76%
F-Class	1.27%	1.26%
I-Class	0.88%	0.87%
L-Class	0.13%	1.12%

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



- 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 September 2017 is 0.8539p per unit for distribution units and 1.0883p per unit for accumulation units.

F-Class

The distribution payable on 24 September 2017 is 0.8790p per unit for distribution units and 1.1233p per unit for accumulation units.

I-Class

The distribution payable on 24 September 2017 is 0.8995p per unit for distribution units and 1.1516p per unit for accumulation units.

L-Class

The distribution payable on 24 September 2017 is 0.9410p per unit for distribution 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	150,796,762	244,604,748	61.65
Accumulation Units	44,231,167	55,393,835	79.85
F-Class			
Distribution Units	36,805	57,962	63.50
Accumulation Units	57,201	69,570	82.22
I-Class			
Distribution Units	4,856,056	7,461,183	65.08
Accumulation Units	4,428,527	5,253,135	84.30
L-Class			
Distribution Units	67,517,906	99,039,920	68.17

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.

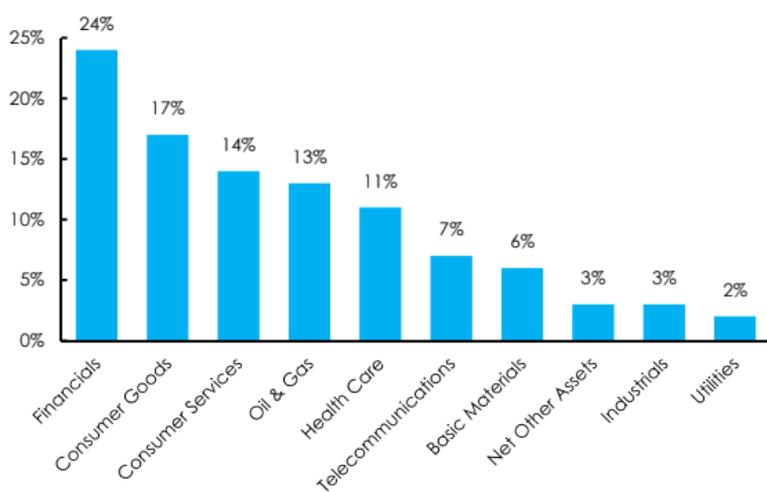
Exchange rate changes may cause the value of any overseas investments to rise or fall.

Portfolio Information

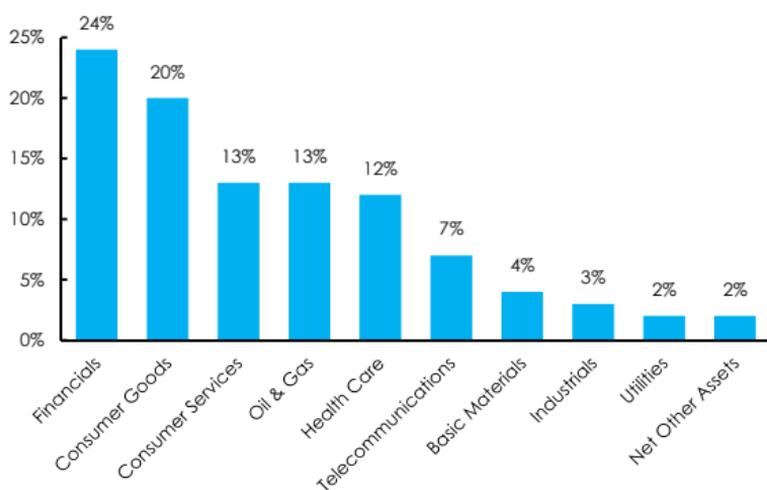
The top 10 holdings and their associated weighting at the current period end and preceding year end were:

Top 10 Holdings at 24 July 2017		Top 10 Holdings at 24 January 2017	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
HSBC	6.44%	HSBC	5.70%
BP	4.70%	BP	5.04%
Royal Dutch Shell 'A'	4.61%	British American Tobacco	4.80%
GlaxoSmithKline	4.57%	Royal Dutch Shell 'A'	4.77%
British American Tobacco	4.09%	Imperial Brands	4.56%
Lloyds Banking Group	4.06%	AstraZeneca	4.26%
Vodafone Group	4.02%	Vodafone Group	3.96%
Prudential	3.98%	Lloyds Banking Group	3.72%
Royal Dutch Shell 'B'	3.16%	Royal Dutch Shell 'B'	3.41%
BT Group	3.14%	GlaxoSmithKline	3.36%

Fund Holdings as at 24 July 2017



Fund Holdings as at 24 January 2017



Manager's Investment Report

During the period under review, the bid price of the Fund's R-Class accumulation units rose by 6.47%. This compares to a rise in the FTSE All-Share Index of 6.37% 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.

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

Market/Economic Review

Equity markets have made significant gains over the last six months, reflecting a steady improvement in global economic indicators and growing optimism amongst investors for prospects in 2017. Since the turn of the calendar year 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 more defensive sectors such as consumer staples and healthcare as central banks signalled the prolonged era of ultra-loose monetary policy was coming to an end. In contrast, sectors closely correlated with bonds struggled, such as utilities and telecommunications. Energy stocks have also underperformed as OPEC's move to introduce production quotas has failed to restore equilibrium in global oil markets, with a notable increase in North American shale inventories. The UK equity market ended the second quarter on the back foot, as an inconclusive outcome to the general election added to the already uncertain outlook for consumer spending and business investment in the UK, with Brexit negotiations now under way.

Returns from international markets for UK-based investors were diluted by currency movements, as the Sterling regained some of the ground lost over the latter half of 2016 in the aftermath of the EU referendum. The strongest areas in Sterling terms were Continental Europe and the Asia Pacific markets excluding Japan. Corporate results in Europe have highlighted improving earnings momentum with expectations for 2017 being revised higher, while indicators suggest regional economic activity is regaining momentum. In the French presidential election, centrist candidate Emmanuel Macron won the second round by a convincing majority, reinforcing the prevailing mood of optimism amongst investors. The smaller Asia Pacific markets have been supported by earnings revisions, underpinned by economic growth and firmer prices for manufactured goods.

Fund Review

Over the review period, the Fund delivered a positive return, broadly in line with its comparative Index.

In the first quarter of 2017, our overweight allocation to consumer goods was beneficial for relative performance; however, this was

Manager's Investment Report continued

offset by our active underweight exposure to industrials and overweight position in telecommunications. Stock selection was key to the relative outperformance, led by holdings in financials and consumer services. At an individual stock level, house-builder Taylor Wimpey, Imperial Brands, Inchcape and WPP all gained ground over the review period.

The second quarter of 2017 saw solid gains for the Fund, outpacing those of the benchmark Index, but unfortunately some those gains were given back in the final month of the review period. The Fund's holding in British American Tobacco proved detrimental 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. However, we have conviction in the stock given the company's strong core business and robust pipeline of tobacco-related products including e-cigarettes.

In terms of trading activity, we added to our existing position in clothing retailer Next and added a new position in advertising and public relations business WPP to the portfolio.

Outlook

Although Macron's election win in France seems to have calmed nerves of a populist rising in Europe, the structural growth and inflation headwinds in Europe are not dead. In Asia, we are still worried about Chinese debt levels and likely slowing economic growth, even if carefully managed by the government. However, the global economic cycle remains supportive of risk assets and we do not see any immediate risk of a recession.

In the UK market, we are not currently expecting any further monetary policy changes for the rest of the year as we believe that core inflation will only pick up slowly in the medium term. While the ongoing Brexit negotiations pose some degree of uncertainty in our forecasts, we see the general levels of political and economic risk to remain balanced.

Legal & General Investment Management Limited

(Investment Adviser)

14 August 2017

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 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
L-Class	£100,000

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 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.

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 period under review and how it is invested at the period 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.

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
UEI0917

