

Legal & General UK Property Fund
(a sub-fund of Legal & General Investment
Funds ICVC)

**Interim Authorised
Corporate Director's
Short Report
for the period ended
28 May 2019**



Investment Objective and Policy

The Sub-fund will be a Property Authorised Investment Fund (PAIF) at all times, and, as such, its investment objective is to carry on Property Investment Business and to manage cash raised from investors for investment in the Property Investment Business. In so doing, the objective of the Sub-fund is to achieve income and capital growth through investing generally in commercial property.

The investment policy is to invest a minimum of 60% of its assets in commercial property. The Sub-fund will aim to diversify risk by seeking exposure across a range of sectors of the UK commercial property market (including but not limited to retail, offices, industrial, leisure and healthcare). The Sub-fund may, from time to time, seek diversification by investing in the Isle of Man and the Channel Islands but predominantly properties will be situated in the United Kingdom.

The intention of the ACD is to invest at least 80% of the Sub-fund's assets directly in property but it may reduce this level (to no lower than 60% in commercial property) from time to time if it believes it is in the interest of maintaining scheme liquidity and performance.

The Sub-fund may invest to a lesser extent in residential properties, and may develop properties with the intention of enhancing their capital value and/or income return. The Sub-fund may also invest in other property-related assets (including property-related UK transferable securities and UK property-related collective investment schemes), in money-market instruments, deposits, money-market-related collective investment schemes and government and public securities.

The Sub-fund may use derivatives only for the purposes of Efficient Portfolio Management.

Risk Profile

Market Risk

Market Liquidity Risk

All property investments are relatively illiquid compared to bonds and equities. Liquidity is a function both of the time to effect a sale and the extent to which it is possible to trade at the market price. Property is slow to transact in normal market conditions and hence is illiquid. In poor market conditions it will take even longer to find a buyer to pay an acceptable price.

Market Valuation Risk

The value of a property, except where it is bought or sold, is generally a matter of a valuer's opinion rather than fact and may go down as well as up. The simplest yardstick of property valuation is initial yield, which is current annual rent divided by the value of the property, including purchase costs. Property yields will fluctuate through time and may reflect the general economic cycle.

At any time, the market value of a property will, broadly, reflect market expectations for rental growth. If an investment is made in the expectation that a certain level of rental growth will be achieved and that growth fails to materialise, then the returns from holding that property are likely to be lower than anticipated. Rental growth is affected by many things: general economic conditions, local trading conditions, relative scarcity of alternative space and so on.

Interest Rate Risk

Interest rate risk is the risk of movements in the value of financial instruments as a result of fluctuations in interest rates. The Sub-fund's only interest bearing financial instruments were its bank balances, money out on deposit and overdraft facilities. Cash is deposited, and overdraft facilities utilised, on normal commercial terms and earn or bear interest based on London Interbank Offered Rate (LIBOR) or its overseas equivalent.

Sub-fund Facts

Period End Dates for Distributions:	28 Feb, May, Aug and Nov	
Distribution Dates:	28 Apr, Jul, Oct and Jan	
Ongoing Charges Figures*:	28 May 19	28 Nov 18
R-Class	1.91%	1.81%
F-Class	1.41%	1.31%
I-Class	1.16%	1.06%
C-Class	1.04%	0.94%
L-Class	0.44%	0.34%
Feeder	0.41%	0.31%
Fund Expense Ratio**:	28 May 19	28 Nov 18
R-Class	1.50%	1.50%
F-Class	1.00%	1.00%
I-Class	0.75%	0.75%
C-Class	0.63%	0.63%
L-Class	0.03%	0.03%
Feeder	0.00%	0.00%
Property Expense Ratio***:	28 May 19	28 Nov 18
R-Class	0.41%	0.31%
F-Class	0.41%	0.31%
I-Class	0.41%	0.31%
C-Class	0.41%	0.31%
L-Class	0.41%	0.31%
Feeder	0.41%	0.31%

* The Ongoing Charges Figure (OCF) is the sum of the Fund Expense Ratio (FER) and Property Expense Ratio (PER).

** The FER shows the ratio of operating costs that relate to the management of the Sub-fund to the average net assets of the Sub-fund.

*** The PER shows the ratio of operating costs that relate to the management of the property assets to the average net assets of the Sub-fund.

The OCF is the ratio of the Sub-fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Sub-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.

Distribution Information

R-Class

The distribution payable on 28 July 2019 is 0.2544p per share for distribution shares (consisting of 0.2207p property distribution, net of 20% tax, 0.0120p interest distribution plus 0.0217p dividend distribution) and 0.3661p per share for accumulation shares (consisting of 0.3175p property distribution, net of 20% tax, 0.0173p interest distribution plus 0.0313p dividend distribution).

F-Class

The distribution payable on 28 July 2019 is 0.3206p per share for distribution shares (consisting of 0.2781p property distribution, net of 20% tax, 0.0151p interest distribution plus 0.0274p dividend distribution) and 0.4744p per share for accumulation shares (consisting of 0.4114p property distribution, net of 20% tax, 0.0225p interest distribution plus 0.0405p dividend distribution).

I-Class

The distribution payable on 28 July 2019 is 0.3530p per share for distribution shares (consisting of 0.3062p property distribution, net of 20% tax, 0.0167p interest distribution plus 0.0301p dividend distribution) and 0.5484p per share for accumulation shares (consisting of 0.4756p property distribution, net of 20% tax, 0.0260p interest distribution plus 0.0468p dividend distribution).

C-Class

The distribution payable on 28 July 2019 is 0.3810p per share for distribution shares (consisting of 0.3304p property distribution, net of 20% tax, 0.0181p interest distribution plus 0.0325p dividend distribution) and 0.5939p per share for accumulation shares (consisting of 0.5151p property distribution, net of 20% tax, 0.0281p interest distribution plus 0.0507p dividend distribution).

L-Class

The distribution payable on 28 July 2019 is 0.4353p per share for distribution shares (consisting of 0.3775p property distribution, net of 20% tax, 0.0206p interest distribution plus 0.0372p dividend distribution) and 0.1785p per share for accumulation shares (consisting of 0.1548p property distribution, net of 20% tax, 0.0085p interest distribution plus 0.0152p dividend distribution).

Feeder

The distribution payable on 28 July 2019 is 0.5508p per share for distribution shares (consisting of 0.4777p property distribution, 0.0261p interest distribution plus 0.0470p dividend distribution) and 0.8610p per share for accumulation shares (consisting of 0.7467p property distribution, 0.0408p interest distribution plus 0.0735p dividend distribution).

Net Asset Values and Shares in Issue

Class	Net Asset Value (£)	Shares in Issue	Net Asset Value per Share (p)
R-Class			
Distribution Shares	4,264,077	7,907,763	53.92
Accumulation Shares	62,141,291	79,810,970	77.86
F-Class			
Distribution Shares	412,868	734,463	56.21
Accumulation Shares	1,440,875	1,729,638	83.30
I-Class			
Distribution Shares	218,374,109	385,338,042	56.67
Accumulation Shares	379,433,253	428,554,002	88.54
C-Class			
Distribution Shares	81,815,946	138,912,258	58.90
Accumulation Shares	183,320,431	198,548,880	92.33
L-Class			
Distribution Shares	104,810,053	184,802,462	56.71
Accumulation Shares	999	2,000	49.95
Feeder			
Distribution Shares	806,995,812	1,467,132,694	55.00
Accumulation Shares	1,400,753,803	1,528,760,127	91.63

Past performance is not a guide to future performance.

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

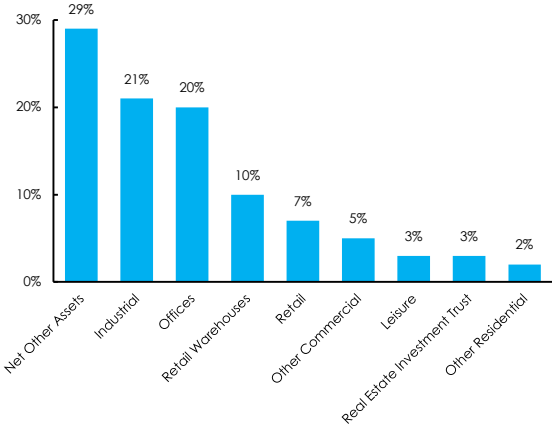
Portfolio Information

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

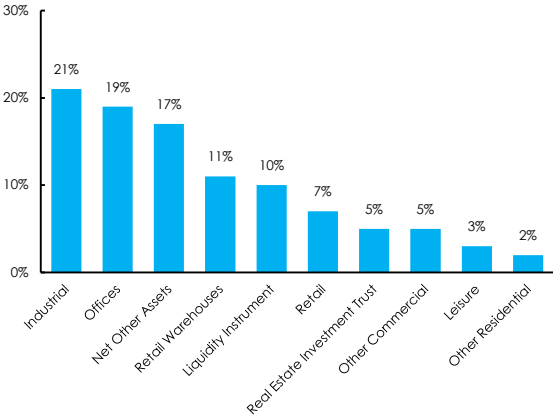
Top 10 Holdings at 28 May 2019	
Holding	Sector
Fradley Park, Lichfield	Industrial
15 Bonhill Street London	Offices
Woodside Industrial Park, Dunstable	Industrial
Follingsby Park, Gateshead	Industrial
1 Colmore Square, Birmingham	Offices
Birstall Shopping Park, Leeds	Retail Warehouses
JVC Kenwood Unit, Staple Corner, London	Retail Warehouses
Into Exeter Residential Blocks A-E, Exeter	Other Residential
The Aircraft Factory, Hammersmith	Offices
Cambridge Science park, Cambridge	Offices

Top 10 Holdings at 28 November 2018	
Holding	Sector
Fradley Park, Lichfield	Industrial
15 Bonhill Street, London	Offices
Woodside Industrial Park, Dunstable	Industrial
Birstall Shopping Park, Leeds	Retail Warehouses
Follingsby Park, Gateshead	Industrial
1 Colmore Square, Birmingham	Offices
JVC Kenwood Unit, Staple Corner, London	Retail Warehouses
Into Exeter Residential Blocks A-E, Exeter	Other Residential
The Aircraft Factory, Hammersmith	Offices
Cambridge Science park, Cambridge	Offices

Sub-fund Holdings as at 28 May 2019



Sub-fund Holdings as at 28 November 2018



Authorised Corporate Director's ('ACD') Investment Report

During the period under review, the bid price of the Sub-fund's R-Class accumulation shares rose by 0.56%.

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

Since November 2018, the performance from commercial property in the UK has remained positive but has been muted. Total returns for the MSCI Monthly Index were consistent, at between 0.1% and 0.2% per month from December 2018 to the end of May 2019 (Source: MSCI IPD Monthly Digest).

Despite the positive Total Return overall, the market is experiencing some capital value decline. Total returns are still marginally positive as highlighted above, but this is due to Income Return component (from rents) which for the wider market is currently providing 0.4% per month. By contrast the Capital Growth component has experienced decline over recent months of between 0.2% to 0.3% per month.

The capital value decline for the market has been driven by further deterioration in conditions for both leasing and investment within the retail sector. Continuing the negative trend seen during 2018, the retail property market has provided negative returns for every month in the reporting period.

As detailed previously, performance headwinds are apparent in the retail sector as a result of continuing structural change to the sector which is manifesting in increasing cases of high profile occupier failures, with store closure programmes, Company Voluntary Arrangements and Administration. The net effect of these events is that there is more space available to lease where tenants have defaulted on their lease contracts, and where contracts have been renegotiated these have been on less favourable terms for landlords. Rents are under downward pressure and naturally those retail occupiers who are not struggling in the current environment now have a very strong bargaining position in respect of new leases and lease renewals. Investors are reluctant to support pricing in many parts of the market, with particular lack of investor demand notable in the shopping centre markets and for larger retail warehouse investments.

By contrast, total returns in Offices and Industrial remain positive, with the Industrial sector outperforming Offices through marginally superior capital growth.

Offices have been broadly stable, with provincial locations outperforming the South-East, and the South-East outperforming the London markets. Outperformance for the provincial office markets has been driven by both higher levels of income returns as well as more positive capital growth results.

Authorised Corporate Director's ('ACD') Investment Report continued

Whilst the Industrial sector provided significant outperformance over all other sectors during 2018, in recent months the levels of capital growth have subsided as investors have been less aggressive in chasing available investment stock. This in turn is due to the higher pricing now being demanded by those selling.

Sub-fund Review

Investor flows to the Sub-fund have been volatile, with several months of net redemptions from December, turning back to positive flows in May. Overall, from the end November 2018 to the end of May 2019 the Sub-fund experienced net redemptions of £55.57 million.

During this time, the Sub-fund has continued to reshape the property portfolio with selective acquisition activity and some strategic sales.

Sales from the Sub-fund include a Mercedes car dealership let to Pendragon Plc in Giffnock, near Glasgow. This was sold to a competing dealership for £3.65 million. In addition we sold a distribution warehouse let to John Lewis in Brackmills Industrial Estate in Northampton. This was sold for £29 million following successful completion of our business plan to renegotiate and extend the lease to John Lewis Partnership.

On acquisitions, in December the Sub-fund acquired part of Taylor Wimpey's Chelmer Riverside residential development scheme in Chelmsford. The Sub-fund has entered into an agreement with Taylor Wimpey whereby they will build 104 flats on the land acquired to our specification. Following construction of the flats the UK Property Fund will appoint a third party manager to run the block and lease out the individual flats. We anticipate the Sub-fund making further acquisitions in the Build to Rent sector over the coming years.

Outlook

Going forward, we anticipate weak performance from retail returns as recent occupier difficulties impact further on both rents and investment pricing. Political uncertainty is likely to result in some volatility. Positive returns for the sector will be reliant on robust performance in the non-retail sectors, notably the industrial and to a lesser extent the Other/Alternative sub-sectors.

Legal & General Investment Management Limited
(Investment Adviser)

17 June 2019

ACD's Report and Accounts

Copies of the most recent Interim and Annual Long Form ACD's Reports are available free of charge by telephoning 0370 050 0955, by writing to the ACD 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.

Creation/Cancellation Settlement

The ACD provides a net creation or cancellation decision and settlement with the Depository, dependent on the inflows or outflows from Shareholders. This netting generates a revenue for the ACD, which is returned to the Sub-fund. This provides an enhanced return to the Sub-fund, though the size of any return is dependent on the size of inflows and outflows from Shareholders.

Minimum Investment Amounts

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

R-Class	£100
F-Class	£500
I-Class	£1,000,000
C-Class	£100,000,000
L-Class	£500,000
Feeder	N/A

In addition, monthly contributions can be made into the R-Class and F-Class only, with a minimum amount of £20 and £50 per month, respectively.

Class F is available to:

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

Class C is only available to distributors who actively market and distribute such shares (or whom the ACD believes intend to do so) and who have entered a written agreement with the ACD relating to the conditions for investment in such shares.

Class L is only available to other Legal & General funds and/or companies which have entered into an agreement with the ACD or an affiliate of the ACD.

Feeder Fund shares are only available for investment by Legal & General UK Property Feeder Fund.

Other Information

The information in this report is designed to enable shareholders to understand how the Sub-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 Sub-fund can be obtained by telephoning 0370 050 0955 or by writing to the ACD.

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

Significant Changes

New Share Class: L-Class accumulation

With effect from 25 April 2019, L-Class accumulation shares have been launched within the Sub-fund.

Management Structure of the Legal & General UK Property Share Company

Michael Barrie

Michael Barrie is Co-Fund Manager of the L&G UK Property Fund and is also a Director of Legal & General Property Division. Michael joined Legal & General as Director in November 2005, having previously been a Director with Foreign & Colonial Property Asset Management. Michael is a member of the Royal Institution of Chartered Surveyors and has a post-graduate Diploma in Property Investment from Reading University.

Matt Jarvis

Matt Jarvis is Co-Fund Manager of the L&G UK Property Fund. Matt joined Legal & General Property as Asset Manager in November 2004 and is currently responsible for the UK Property Fund, having previously been a Commercial Valuer with Jones Lang LaSalle, and was nominated and shortlisted for YN Property Professional of the Year 2014. Matt holds a degree in Land Management from Reading University, a Diploma in Property Investment from Cambridge University and is a member of the Royal Institution of Chartered Surveyors.

Association of Real Estate Funds

The Company aims to comply with the Association of Real Estate Funds (AREF) Code of Practice, which is a voluntary Code whose aim is to encourage members of AREF to adopt best practice wherever possible.

The Code is publicly available and published on the Association's website: www.aref.org.uk.

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 SE UK Branch

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

Independent Auditors

KPMG LLP

15 Canada Square,

London E14 5GL

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Financial Conduct Authority**

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UPF0719

