

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

**Interim Manager's
Short Report
for the period ended
28 May 2018**

**EVERY
DAY
MATTERS.®**



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 purpose 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.

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 18	28 Nov 17
R-Class	1.74%	1.85%
F-Class	1.24%	1.35%
I-Class	0.99%	1.10%
C-Class	0.87%	0.98%
L-Class	0.27%	0.38%
Feeder	0.24%	0.35%
Fund Expense Ratios**:	28 May 18	28 Nov 17
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 Ratios***:	28 May 18	28 Nov 17
R-Class	0.24%	0.35%
F-Class	0.24%	0.35%
I-Class	0.24%	0.35%
C-Class	0.24%	0.35%
L-Class	0.24%	0.35%
Feeder	0.24%	0.35%

* 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 2018 is 0.2979p per share for distribution shares (consisting of 0.2695p property distribution, net of 20% tax, 0.0061p interest distribution plus 0.0223p dividend distribution) and 0.4191p per share for accumulation shares (consisting of 0.3792p property distribution, net of 20% tax, 0.0085p interest distribution plus 0.0314p dividend distribution).

F-Class

The distribution payable on 28 July 2018 is 0.3582p per share for distribution shares (consisting of 0.3240p property distribution, net of 20% tax, 0.0073p interest distribution plus 0.0269p dividend distribution) and 0.5147p per share for accumulation shares (consisting of 0.4656p property distribution, net of 20% tax, 0.0105p interest distribution plus 0.0386p dividend distribution).

I-Class

The distribution payable on 28 July 2018 is 0.3850p per share for distribution shares (consisting of 0.3483p property distribution, net of 20% tax, 0.0078p interest distribution plus 0.0289p dividend distribution) and 0.5819p per share for accumulation shares (consisting of 0.5263p property distribution, net of 20% tax, 0.0119p interest distribution plus 0.0437p dividend distribution).

C-Class

The distribution payable on 28 July 2018 is 0.4118p per share for distribution shares (consisting of 0.3725p property distribution, net of 20% tax, 0.0084p interest distribution plus 0.0309p dividend distribution) and 0.6248p per share for accumulation shares (consisting of 0.5651p property distribution, net of 20% tax, 0.0128p interest distribution plus 0.0469p dividend distribution).

L-Class

The distribution payable on 28 July 2018 is 0.4542p per share for distribution shares (consisting of 0.4108p property distribution, net of 20% tax, 0.0093p interest distribution plus 0.0341p dividend distribution).

Feeder

The distribution payable on 28 July 2018 is 0.6068p per share for distribution shares (consisting of 0.5489p property distribution, 0.0124p interest distribution plus 0.0455p dividend distribution) and 0.7683p per share for accumulation shares (consisting of 0.6949p property distribution, 0.0157p interest distribution plus 0.0577p 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	4,722,049	8,802,338	53.65
Accumulation Shares	62,416,880	82,199,454	75.93
F-Class			
Distribution Shares	430,588	770,001	55.92
Accumulation Shares	1,913,911	2,365,288	80.92
I-Class			
Distribution Shares	223,535,168	396,431,477	56.39
Accumulation Shares	327,140,680	381,191,473	85.82
C-Class			
Distribution Shares	82,287,964	140,410,398	58.61
Accumulation Shares	231,850,193	259,292,035	89.42
L-Class			
Distribution Shares	83,596,657	148,056,940	56.46
Feeder			
Distribution Shares	716,298,024	1,306,149,293	54.84
Accumulation Shares	1,415,866,406	1,613,042,413	87.78

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.

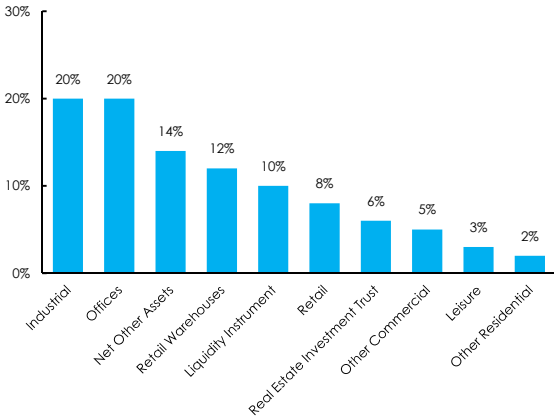
Portfolio Information

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

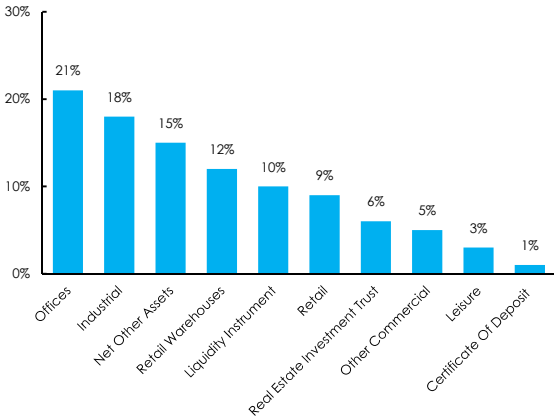
Top 10 Holdings at 28 May 2018	
Holding	Sector
LGIM Sterling Liquidity Fund	Liquidity Instrument
Fradley Park, Lichfield	Industrial
Birstall Shopping Park, Leeds	Retail Warehouses
15 Bonhill Street London	Offices
Woodside Industrial Park, Dunstable	Industrial
1 Colmore Square, Birmingham	Offices
Follingsby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

Top 10 Holdings at 28 November 2017	
Holding	Sector
LGIM Sterling Liquidity Fund	Liquidity Instrument
Fradley Park, Lichfield	Industrial
Birstall Shopping Park, Leeds	Retail Warehouses
15 Bonhill Street London	Offices
1 Colmore Square, Birmingham	Offices
Follingsby Park, Gateshead	Industrial
JVC Kenwood Unit, Staple Corner, London	Retail Warehouses
Tesco Extra, Carinal Road, Kettering, Northants	Retail Warehouses
Units 214, 216, 220, 230, 240 Cambridge Science Park, Cambridge	Offices
Hampton by Hilton Hotel Stansted, Bassingbourn Road, Stansted	Leisure

Fund Holdings as at 28 May 2018



Fund Holdings as at 28 November 2017



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 4.40%.

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 2017, the performance from commercial property in the UK has remained positive with a strong finish to 2017 and steady performance in the early months of 2018.

Momentum in both the occupier markets and capital markets has been mixed, although with a continuing divergence in performance between the strong Industrial market and the weak Retail market.

The industrial property market continues to perform at a very high level with a depth of occupational demand, a sustainable level of supply and demonstrable widespread rental growth. This has continued to attract capital in the investment market, further supplementing rental growth with capital growth.

By way of example, the commercial property market returned 1.4% in December and has since provided total returns of between 0.6% and 0.9% per month (Source: MSCI Monthly Digest). However, in the strong industrial market, returns were 2.7% in December and have continued at between 1.1% and 2% per month to the end of April.

Turning to the retail market, performance headwinds are being felt as a result of continuing structural change to the sector which is manifesting in increasing cases of high profile occupier failure with use of store closure programmes, Company Voluntary Arrangements and Administration. The net effect of these events is that there will be more space available to lease where tenants have defaulted on their lease contracts. Rents are under downward pressure in weaker locations and investors are likely to require greater levels of return to access these parts of the market. Demonstrating the comparison with the positive returns shown by industrial property, retail property returns were +0.8% in December and have shown subdued returns of 0.3%-0.5% per month to the end of April.

Between the two extremes, the performance of Office property has also remained positive but is marginally underperforming the wider market. Offices in Central London are beginning to show lower returns than offices outside the capital, and this is partly explained by lower levels of income return now available.

Other / Alternative property types, such as hotels, student accommodation and care homes continue to fair better than the wider market with higher income returns and support from capital in the investment markets seeking real assets with longer leases.

Sub-fund Review

Investor flows to the Sub-fund remain positive and relatively stable with a net inflow of £118.1 million. During this time, the Sub-fund has been actively reshaping the property portfolio with a number of sales and acquisitions.

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

Sales from the Sub-fund include 133 Princes Street in Edinburgh which was sold for £2.98 million in December 2017 following a successful lease extension with the tenant.

In 2018, the Sub-fund has sold another of the smaller retail assets at 35 Cornhill in Bury St Edmunds for £1.64 million. Again, this was sold following a successful re-letting of the space to Cafe Nero.

In the office portfolio, the Sub-fund has sold Sigma House in Basildon for £28.25 million. The asset is let for the long term, but our forecast returns for the asset were not sufficient to justify holding the investment.

Turning to purchases, in December the Sub-fund acquired 5 blocks of student accommodation located on-campus at University of Exeter. The properties are let on very long leases to INTO University of Exeter LLP. The asset was acquired for £49.6 million, reflecting a yield of 5.48%.

In 2018 to date the Sub-fund has acquired two further investments. In London, the Sub-fund has acquired The Aircraft Factory in Hammersmith for £63 million. The property is an office building that has been comprehensively refurbished and has been re-let to a selection of dynamic and innovative tenants, mostly operating in the Technology sector.

Continuing the Sub-fund's long term theme of exposure to Industrial assets, we have also acquired a 50% share of Woodside Industrial Estate in Dunstable for £91.75 million. The asset is a substantial industrial park that benefits from recent infrastructure projects with faster access to the M1 motorway. We anticipate returns to be supported by rental growth in the location.

Despite sizeable acquisitions, the Sub-fund's cash position remains at an elevated level and the short term focus for the Sub-fund will be on sourcing further acquisitions and a continued delivery of asset management success on the portfolios existing assets.

Outlook

Going forward, we anticipate further weak performance from retail returns as recent occupier difficulties impact on both rents and investment pricing. Positive returns will be reliant on continued strength in the industrial and to a lesser extent the Other / Alternative sub-sectors.

Legal & General Investment Management Limited

(Investment Adviser)

14 June 2018

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 Depositary, 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.

F-Class shares are only available to:

- i) investors who have received advice from authorised intermediaries and platforms 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.

C-Class shares are only available to distributors who actively market and distribute such shares (or whom the ACD believes intends to do so) and to whom the ACD has confirmed by letter that they meet the criteria for investment in such shares.

L-Class is only available for investment to companies within the Legal & General Group.

Feeder 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

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

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 Investment Funds ICVC, 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/UTMPrivacy (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.

Management Structure of the Legal & General UK Property Share Company

Michael Barrie

Michael Barrie is the Director of Fund Management and Co-Fund Manager of the L&G UK Property Fund. 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 the Co-Fund Manager for 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 Corporate Director ('ACD')

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.

Depository

Northern Trust Global Services PLC

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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