

Legal & General
UK Smaller Companies Trust
**Annual Manager's
Short Report**
**for the year ended
18 June 2018**

**EVERY
DAY
MATTERS.®**



Investment Objective and Policy

The investment objective of this Trust is to maximise capital growth from a portfolio of UK securities, 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:	18 Dec (15 Dec 17)**, 18 Jun	
Distribution Dates:	18 Feb (15 Feb 18)**, 18 Aug	
Ongoing Charges Figures:	18 Jun 18	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%
C-Class**	0.60%	N/A

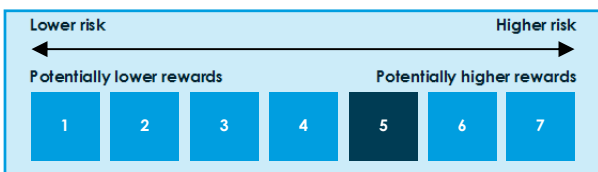
* E-Class units ceased to exist on 15 December 2017. Value shown was the OCF up to the closure on this date.

** See Significant Changes on pages 16 and 17.

The Ongoing Charges Figure (OCF) is the ratio of the Trust's total disclosable 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 number highlighted above reflects the rate at which the Trust's unit price has moved up and down in the past. If the Trust has less than five years' track record, the number also reflects the rate at which a representative benchmark has moved up and down in the past. Higher numbers mean the potential reward could be greater, but this comes with increased risk of losing money.
- The Trust is in category five because it invests in company shares which are sensitive to variations in the stock market. The value of company shares can change substantially over short periods of time. Company shares are generally considered to be higher risk investments than bonds or cash.
- 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 18 August 2018 is 4.2519p per unit for distribution units and 4.7635p per unit for accumulation units.

F-Class

The distribution payable on 18 August 2018 is 6.9531p per unit for distribution units and 8.0148p per unit for accumulation units.

I-Class

The distribution payable on 18 August 2018 is 8.4157p per unit for distribution units and 9.8841p per unit for accumulation units.

C-Class

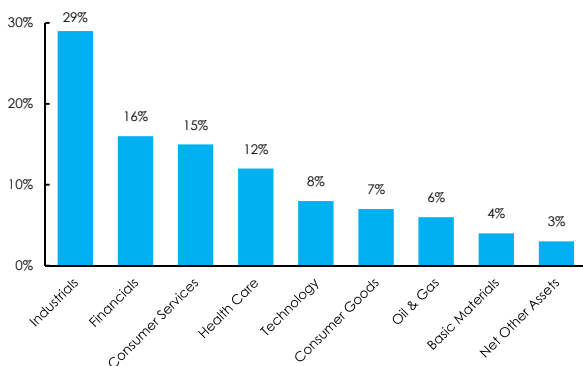
The distribution payable on 18 August 2018 is 0.4615p per unit for accumulation units.

Portfolio Information

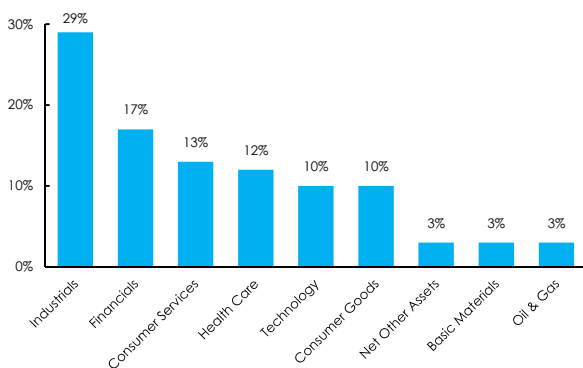
The top 10 holdings and their associated weighting at the current and preceding year ends were:

Top 10 Holdings at 18 June 2018		Top 10 Holdings at 18 June 2017	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
Safestore	3.72%	Safestore	3.75%
Dechra Pharmaceuticals	3.41%	First Derivatives	3.23%
Cranswick	2.97%	Cranswick	3.06%
First Derivatives	2.73%	Northgate	2.73%
Senior	2.59%	Dechra Pharmaceuticals	2.42%
Victrex	2.54%	Crest Nicholson	2.21%
Keller Group	2.51%	Keller Group	2.14%
Workspace Group	2.48%	Workspace Group	2.14%
DiscoverIE Group	2.43%	Senior	2.11%
Genus	2.38%	Hill & Smith	2.10%

Trust Holdings as at 18 June 2018



Trust Holdings as at 18 June 2017



Comparative Tables

R-Class Distribution Units

Change in Net Asset Value per Unit

Accounting year ending	18/06/18 (pence per unit)	18/06/17 (pence per unit)	18/06/16 (pence per unit)
Opening net asset value per unit	909.59	790.73	835.65
Return before operating charges*	116.52	138.74	(26.34)
Operating charges (calculated on average price)	(15.80)	(14.85)	(14.00)
Return after operating charges*	100.72	123.89	(40.34)
Distributions on income units	(5.94)	(5.03)	(4.58)
Closing net asset value per unit	1,004.37	909.59	790.73
* after direct transaction costs of:	0.39	0.32	0.90

Performance

Return after charges	11.07%	15.67%	(4.83)%
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Other Information

Closing net asset value (£)	310,433,623	58,007,562	54,160,941
Closing number of units	30,908,226	6,377,309	6,849,464
Operating charges†	1.66%	1.77%	1.70%
Direct transaction costs	0.04%	0.04%	0.11%

Prices

Highest unit price	1,032.00p	990.20p	916.80p
Lowest unit price	880.00p	711.60p	760.10p

† Operating charges, otherwise known as the OCF is the ratio of the Trust's total disclosable costs (excluding overdraft interest) to the average net assets of the Trust.

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.

Comparative Tables continued

R-Class Accumulation Units

Change in Net Asset Value per Unit

Accounting year ending	18/06/18 (pence per unit)	18/06/17 (pence per unit)	18/06/16 (pence per unit)
Opening net asset value per unit	1,017.16	879.27	923.96
Return before operating charges*	130.52	154.44	(29.20)
Operating charges (calculated on average price)	(17.69)	(16.55)	(15.49)
Return after operating charges*	112.83	137.89	(44.69)
Distributions	(6.65)	(5.62)	(5.05)
Retained distributions on accumulation units	6.65	5.62	5.05
Closing net asset value per unit	1,129.99	1,017.16	879.27
* after direct transaction costs of:	0.43	0.36	0.99

Performance

Return after charges	11.09%	15.68%	(4.84)%
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Other Information

Closing net asset value (£)	29,187,187	19,016,411	17,733,063
Closing number of units	2,582,961	1,869,565	2,016,791
Operating charges†	1.66%	1.77%	1.70%
Direct transaction costs	0.04%	0.04%	0.11%

Prices

Highest unit price	1,157.00p	1,104.00p	1,051.00p
Lowest unit price	985.00p	791.10p	841.70p

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Comparative Tables continued

E-Class Distribution Units

Change in Net Asset Value per Unit

Accounting year ending	19/06/17 to 15/12/17 ¹ (pence per unit)	19/06/16 to 18/06/17 (pence per unit)	19/06/15 to 18/06/16 (pence per unit)
Opening net asset value per unit	909.59	790.73	835.65
Return before operating charges*	62.58	138.74	(26.34)
Operating charges (calculated on average price)	(8.13)	(14.85)	(14.00)
Return after operating charges*	54.45	123.89	(40.34)
Distributions on income units	(1.69)	(5.03)	(4.58)
Closing net asset value per unit	962.35	909.59	790.73
* after direct transaction costs of:	0.18	0.32	0.90

Performance

Return after charges	5.99%	15.67%	(4.83)%
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Other Information

Closing net asset value (£)	—	241,454,875	236,386,154
Closing number of units	—	26,545,362	29,894,573
Operating charges†	1.77%	1.77%	1.70%
Direct transaction costs	0.04%	0.04%	0.11%

Prices

Highest unit price	1,001.00p	943.10p	873.10p
Lowest unit price	880.00p	711.60p	760.10p

¹ E-Class units ceased to exist on 15 December 2017. Value shown is the closing net asset value at this date.

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Comparative Tables continued

E-Class Accumulation Units

Change in Net Asset Value per Unit

Accounting year ending	19/06/17 to 15/12/17 ¹ (pence per unit)	19/06/16 to 18/06/17 (pence per unit)	19/06/15 to 18/06/16 (pence per unit)
Opening net asset value per unit	1,017.16	879.27	923.96
Return before operating charges*	70.01	154.44	(29.20)
Operating charges (calculated on average price)	(9.09)	(16.55)	(15.49)
Return after operating charges*	60.92	137.89	(44.69)
Distributions	(1.89)	(5.62)	(5.05)
Retained distributions on accumulation units	1.89	5.62	5.05
Closing net asset value per unit	1,078.08	1,017.16	879.27
* after direct transaction costs of:	0.21	0.36	0.99

Performance

Return after charges	5.99%	15.68%	(4.84)%
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Other Information

Closing net asset value (£)	—	8,380,795	7,752,162
Closing number of units	—	823,944	881,660
Operating charges†	1.77%	1.77%	1.70%
Direct transaction costs	0.04%	0.04%	0.11%

Prices

Highest unit price	1,120.00p	1,051.00p	966.90p
Lowest unit price	985.00p	791.10p	841.70p

¹ E-Class units ceased to exist on 15 December 2017. Value shown is the closing net asset value at this date.

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Comparative Tables continued

F-Class Distribution Units

Change in Net Asset Value per Unit

Accounting year ending	18/06/18 (pence per unit)	18/06/17 (pence per unit)	18/06/16 (pence per unit)
Opening net asset value per unit	929.69	808.06	853.23
Return before operating charges*	119.34	142.09	(26.18)
Operating charges (calculated on average price)	(11.30)	(10.91)	(10.11)
Return after operating charges*	108.04	131.18	(36.29)
Distributions on income units	(11.17)	(9.55)	(8.88)
Closing net asset value per unit	1,026.56	929.69	808.06
* after direct transaction costs of:	0.40	0.33	0.92

Performance

Return after charges	11.62%	16.23%	(4.25)%
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Other Information

Closing net asset value (£)	657	595	501
Closing number of units	64	64	62
Operating charges†	1.16%	1.27%	1.20%
Direct transaction costs	0.04%	0.04%	0.11%

Prices

Highest unit price	1,057.00p	965.50p	892.90p
Lowest unit price	899.20p	727.40p	777.70p

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

Comparative Tables continued

F-Class Accumulation Units

Change in Net Asset Value per Unit

Accounting year ending	18/06/18 (pence per unit)	18/06/17 (pence per unit)	18/06/16 (pence per unit)
Opening net asset value per unit	1,063.66	914.81	956.50
Return before operating charges*	136.95	161.24	(30.34)
Operating charges (calculated on average price)	(12.97)	(12.39)	(11.35)
Return after operating charges*	123.98	148.85	(41.69)
Distributions	(12.88)	(10.83)	(10.00)
Retained distributions on accumulation units	12.88	10.83	10.00
Closing net asset value per unit	1,187.64	1,063.66	914.81
* after direct transaction costs of:	0.45	0.37	1.03

Performance

Return after charges	11.66%	16.27%	(4.36)%
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Other Information

Closing net asset value (£)	71,864	60,682	19,577
Closing number of units	6,051	5,705	2,140
Operating charges†	1.16%	1.27%	1.20%
Direct transaction costs	0.04%	0.04%	0.11%

Prices

Highest unit price	1,215.00p	1,099.00p	1,003.00p
Lowest unit price	1,031.00p	823.30p	874.20p

† Operating charges, otherwise known as the OCF is the ratio of the Trust's total disclosable costs (excluding overdraft interest) to the average net assets of the Trust.

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Comparative Tables continued

I-Class Distribution Units

Change in Net Asset Value per Unit

Accounting year ending	18/06/18 (pence per unit)	18/06/17 (pence per unit)	18/06/16 (pence per unit)
Opening net asset value per unit	929.11	807.52	853.45
Return before operating charges*	119.47	142.11	(26.81)
Operating charges (calculated on average price)	(8.09)	(7.55)	(6.83)
Return after operating charges*	111.38	134.56	(33.64)
Distributions on income units	(14.52)	(12.97)	(12.29)
Closing net asset value per unit	1,025.97	929.11	807.52
* after direct transaction costs of:	0.40	0.33	0.92

Performance

Return after charges	11.99%	16.66%	(3.94)%
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Other Information

Closing net asset value (£)	3,944,673	3,450,435	3,495,385
Closing number of units	384,484	371,370	432,852
Operating charges†	0.83%	0.88%	0.81%
Direct transaction costs	0.04%	0.04%	0.11%

Prices

Highest unit price	1,058.00p	966.90p	894.70p
Lowest unit price	899.40p	727.10p	777.50p

† Operating charges, otherwise known as the OCF is the ratio of the Trust's total disclosable costs (excluding overdraft interest) to the average net assets of the Trust.

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

Comparative Tables continued

I-Class Accumulation Units

Change in Net Asset Value per Unit

Accounting year ending	18/06/18 (pence per unit)	18/06/17 (pence per unit)	18/06/16 (pence per unit)
Opening net asset value per unit	1,084.46	928.99	967.80
Return before operating charges*	139.86	164.19	(31.05)
Operating charges (calculated on average price)	(9.48)	(8.72)	(7.76)
Return after operating charges*	130.38	155.47	(38.81)
Distributions	(16.96)	(14.96)	(13.97)
Retained distributions on accumulation units	16.96	14.96	13.97
Closing net asset value per unit	1,214.84	1,084.46	928.99
* after direct transaction costs of:	0.46	0.38	1.04

Performance

Return after charges	12.02%	16.74%	(4.01)%
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Other Information

Closing net asset value (£)	4,574,170	4,036,593	4,013,338
Closing number of units	376,526	372,221	432,017
Operating charges†	0.83%	0.88%	0.81%
Direct transaction costs	0.04%	0.04%	0.11%

Prices

Highest unit price	1,243.00p	1,120.00p	1,017.00p
Lowest unit price	1,051.00p	836.30p	886.50p

† Operating charges, otherwise known as the OCF is the ratio of the Trust's total disclosable costs (excluding overdraft interest) to the average net assets of the Trust.

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.

Comparative Tables continued

C-Class Accumulation Units

Change in Net Asset Value per Unit

Accounting year ending	28/02/18 to 18/06/18 (pence per unit) ¹
Opening net asset value per unit	50.00
Return before operating charges*	3.24
Operating charges (calculated on average price)	(0.09)
Return after operating charges*	3.15
Distributions	(0.46)
Retained distributions on accumulation units	0.46
Closing net asset value per unit	53.15
*after direct transaction costs of:	0.02

Performance

Return after charges	6.30%
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Other Information

Closing net asset value (£)	1,063
Closing number of units	2,000
Operating charges†	0.60%
Direct transaction costs	0.04%

Prices

Highest unit price	54.42p
Lowest unit price	48.72p

¹ C-Class units launched on 28 February 2018.

† Operating charges, otherwise known as the OCF is the ratio of the Trust's total disclosable costs (excluding overdraft interest) to the average net assets of the Trust.

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.

Manager's Investment Report

During the year under review, the bid price of the Trust's R-Class accumulation units rose by 11.11%. This compares to a rise in the benchmark (Numis Securities Smaller Companies Ex Investment Trust Index) of 7.14% 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

The global economic background has improved over the past twelve months, led by solid growth in the major developed economies, although recent indicators suggest there has been some loss of momentum, particularly in Europe. Despite a rise in commodity prices, with the oil price (Brent crude) recovering to \$79/barrel in May 2018, its highest level since 2014, inflationary pressures worldwide have remained subdued by historical standards.

In the UK, both economic and political uncertainty have heightened over the last 12 months, as the June 2017 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 2017, removing the emergency support announced in August 2016 in the wake of the EU referendum. The UK economy grew at its slowest pace for six years during the first quarter of 2018. Although UK equities performed well in 2017, the market recorded three consecutive months of losses before rebounding strongly in April and May 2018. The market has been led higher by resources stocks, benefitting from the strength of commodity prices. Financials have also outperformed the broader market, led by shares in insurance companies while autos performed well, driven by a hostile takeover bid from Melrose Industries for component supplier GKN, which eventually received shareholder approval. Amongst the weakest sectors were utilities and personal & household goods. These sectors are less sensitive to the economic cycle but are more closely correlated with bond markets, and tend to underperform when investors are more optimistic about the economic outlook and earnings growth prospects.

Trust Review

Both stock selection and sector allocation helped deliver positive performance for the Trust over the review year. Our holdings in financials, basic materials and industrials all contributed positively while our overweight positioning in technology was a benefit.

At the stock level, First Derivatives made the biggest contribution. The company is a leading provider of database analytics technology and has an early mover advantage in big data with a sizeable market opportunity ahead of it. The company is expanding the

Manager's Investment Report continued

'Kx Systems' business line into new industry areas with the potential for new sources of revenue. Specialty resources business Victrex reported strong results, with good growth in volumes and price. Dechra Pharmaceuticals also performed well with the shares buoyed by news of a dividend hike amid better-than-expected profit and revenue growth. This was driven by growing demand for its products in the US. The group also continued its acquisition strategy, expanding its European footprint with the deals for AST Farma and Le Vet. Elsewhere, Safestore, Faroe Petroleum and Keyword Studios all saw positive performance and the Trust benefited from a number of takeovers, including Paysafe acquired by a consortium of the Blackstone Group and CVC Capital Partners in December 2017 and Ladbrokes Coral Group acquired by GVC Holdings in March 2018.

Lead detractor was retailer Mothercare, who issued a profit warning on the back of ongoing category weakness in the UK, both in store and online. While some of this weakness was expected due to the deterioration in UK retail, performance was below that of the industry.

During the review year, we initiated new positions in consumer finance specialist Boku, oil exploration company Energean Oil & Gas and portfolio management firm IntegraFin. On the flipside, we exited our long-standing holding of Ted Baker. While it has been a resilient name in recent years and wholesale trading remains strong, we have growing concerns following consecutive periods of sluggish retail store sales and some elements of staleness in the brand. We also believe margins may come under pressure and it feels like Ted Baker is playing catch up on the e-commerce side.

Outlook

In the UK, the pound has weakened as worries over ongoing Brexit negotiations more than offset the fact that the Bank of England was more hawkish than expected, with a rate rise expected in the third quarter of 2018. The Bank of England now expects the UK economy to grow at an annualised rate of 1.4% over the quarter, rather than by 1.8% as previously estimated, while it also forecast that inflation could fall back slightly more quickly, reaching its 2% target in two years.

Legal & General Investment Management Limited
(Investment Adviser)
10 July 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	£100
F-Class	£500
I-Class	£1,000,000
C-Class	£20,000,000

In addition, monthly contributions can be made into the R-Class with a minimum amount of £20 per month 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, platforms or other distributors in relation to their investment in units in the Trust and
- ii) 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 by letter that they meet 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 year under review and how it is invested at the year 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.

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

Significant Changes

New Unit Class: C-Class

With effect from 28 February 2018, C-Class units were launched within the Trust with accumulation units available.

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 was made on 15 February 2018. The accounting and distribution payment dates reverted to their normal dates after this event.

Change in Fund Management Fee (FMF)

With effect from 2 January 2018, the FMF for three share classes were reduced as shown below:

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

Change of Auditor

With effect from 28 April 2018, PricewaterhouseCoopers LLP ceased to be Independent Auditors of the Trust and KPMG LLP have been appointed. The change of Auditor has no impact on the way the Trust is operated.

Significant Changes continued

General Data Protection Regulation (GDPR)

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 UK Smaller Companies Trust, 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.

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 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

**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
UKS0818

