

Legal & General UK Select Equity Fund
**Interim Manager's
Short Report**
for the period ended
31 March 2017

**EVERY
DAY
MATTERS.®**



Investment Objective and Policy

The Fund aims to provide long-term capital growth by investing in a broad range of UK companies. Investments may also consist of UK registered stocks and Investment Funds.

By 'UK registered stock' we mean the stock of any company that is registered and eligible to be traded on a UK stock exchange.

Risk Profile

Market risk

Market risk arises mainly from uncertainty about future prices. It represents the potential loss of the Fund 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 can hold investments denominated in foreign currencies. 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:	31 Mar, 30 Sep	
Distribution Dates:	31 May, 30 Nov	
Ongoing Charges Figures:	31 Mar 17	30 Sep 16
A-Class	1.38%	1.53%
R-Class	1.68%	1.68%
I-Class	0.79%	0.79%
F-Class	1.18%	1.18%

The Ongoing Charges Figure (OCF) is the ratio of the Fund's total discloseable costs (excluding overdraft interest) and all costs suffered through holdings in underlying Collective Investment Schemes, 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



- This risk and reward profile 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 5 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

A-Class

The distribution payable on 31 May 2017 is 2.9714p per unit for accumulation units.

R-Class

The distribution payable on 31 May 2017 is 2.4744p per unit for accumulation units.

I-Class

The distribution payable on 31 May 2017 is 3.6742p per unit for distribution units and 4.1037p per unit for accumulation units.

F-Class

The distribution payable on 31 May 2017 is 3.3430p per unit for accumulation units.

Net Asset Values and Units in Issue

Class	Net Asset Value (£)	Units in Issue	Net Asset Value per Unit (p)
A-Class Accumulation Units	439,320,620	127,794,751	343.77
R-Class Accumulation Units	1,318,541	384,686	342.76
I-Class Distribution Units	74,748	23,655	315.99
I-Class Accumulation Units	36,029,912	10,090,920	357.05
F-Class Accumulation Units	954	274	348.18

Past performance is not a guide to future performance.

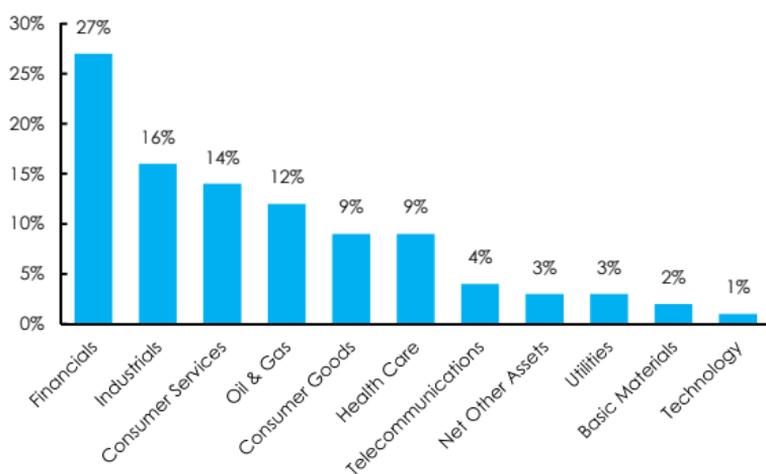
The price of units and any income from them may go down as well as up.

Portfolio Information

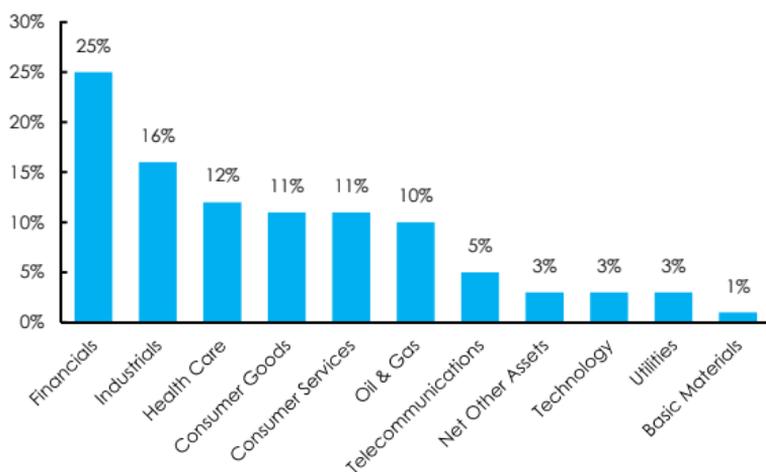
The top 10 holdings and their associated weighting at the current period end and preceding year end were:

Top 10 Holdings at 31 March 2017		Top 10 Holdings at 30 September 2016	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
BP	5.94%	British American Tobacco	5.40%
Royal Dutch Shell 'B'	5.80%	GlaxoSmithKline	5.36%
British American Tobacco	5.55%	Royal Dutch Shell 'B'	5.26%
GlaxoSmithKline	4.79%	BP	5.01%
HSBC Holdings	4.25%	AstraZeneca	4.35%
Schroder UK Smaller Companies 'I' Income	3.45%	Schroder UK Smaller Companies 'I' Income	3.89%
Aviva	3.26%	Vodafone Group	3.25%
AstraZeneca	3.20%	HSBC Holdings	3.24%
BAE Systems	3.06%	Melrose Industries	3.11%
Lloyds Banking Group	2.92%	Reed Elsevier (RELX)	3.03%

Fund Holdings as at 31 March 2017



Fund Holdings as at 30 September 2016



Manager's Investment Report

During the period under review, the price of the Fund's A-Class accumulation units rose by 9.07%, whilst the FTSE All-Share Index rose by 8.10% on a total return (dividends reinvested) 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

UK equities performed well over the review period against the backdrop of an improving outlook for the global economy. Inflation expectations rose as economic policy discussions moved from a sole reliance on monetary stimulus towards fiscal measures following the UK's decision to leave the EU and Donald Trump's US election victory. There was a resulting market rotation away from stocks that tend to do well in uncertain times, towards companies that benefit more from an upswing in growth. The market was also supported by robust corporate results and a pick-up in mergers and acquisitions.

Fund Review

The Fund outperformed the benchmark Index by 0.97%. Industrial turnaround specialist Melrose Industries was the top contributor to performance. The company's third quarter trading update underlined good progress at the recently acquired North American-based manufacturer Nortek, driving an increase in profit forecasts. Holdings in the aerospace & defence sector (BAE Systems and Ultra Electronics) also performed well in the wake of Donald Trump's election. Trump's victory is anticipated to be positive for the global defence industry given his pledge to increase US military spending and pressure other NATO members to increase their defence budgets.

On the negative side, the underweight position in mining detracted from performance, particularly from not owning Glencore. The holding in payroll software provider Sage Group also weighed on returns on the back of profit taking.

We received new shares in interdealer voice broking specialist TP ICAP just prior to the period under review, after NEX Group (formerly ICAP) sold its broking division to Tullett Prebon to create TP ICAP. We added to this new holding. TP ICAP, the clear global leader in a consolidated market, is well positioned to benefit from increased trading activity as interest rates rise and yield curves steepen. In addition to the recovery potential, there is scope for further self-help measures as management extracts merger synergies from its enlarged voice broking operations, and drives down staff pay levels. This cash-generative business continues to trade on low valuations.

We initiated a new position in Marks & Spencer, whose shares have lagged given concerns around their Clothing and Home division and the possible negative impact of Brexit. The depressed sentiment towards the stock has created a valuation opportunity, with the shares trading on a double-digit free cashflow yield

Manager's Investment Report continued

and a dividend yield in excess of 5%. In our opinion, there is significant potential for the shares to rerate if the new CEO can turn around Clothing and Home as well as the international stores. Downside protection is provided by the company's strong balance sheet and significant freehold property portfolio.

We also started a new position in Cobham following share price underperformance over the past two years. This aerospace and defence company had an unsuccessful diversification strategy under the previous management team, which culminated in profit warnings and an over-gearred balance sheet. We believe Cobham remains a portfolio of fundamentally high quality businesses, many of which have leading positions in attractive markets, differentiated technologies and know-how and an enviable customer list. A new CEO and CFO are focused on turning the business around.

We added education business Pearson to the portfolio. The shares have lagged as their US higher-education division has struggled due to declining higher-education enrolments, and the challenges associated with an industry in transition from analogue to digital education sources. Although there are short-term headwinds, we believe that Pearson will emerge from this period in a stronger competitive position, well-placed in the growing global education market.

We sold the holding in Sage. We initially invested as the market had failed to recognise its growth potential. The company has subsequently enjoyed a material re-rating as a result of consistently delivering strong organic revenue growth. We believe the shares' valuation now prices in its growth characteristics. The positions in defence company Ultra Electronics and medical device manufacturer Smith & Nephew were sold for the same reason.

Outlook

As this bull market has progressed, investors have increasingly sought out high-quality businesses with defensive earnings streams. In part, this is a consequence of disappointing economic and profit growth combined with quantitative easing and low interest rates. This has led to an increasingly polarised stock market where lower-risk/predictable businesses have attracted high valuations whilst many out-of-favour companies, typically businesses that suffer in a low interest rate/deflationary environment, trade on low valuations. This level of market dislocation is most clearly seen in cross-sector valuation dispersion which is close to the extreme levels last seen in the global financial crisis and the TMT bubble.

In the past, high valuation dispersions have signalled a good time to increase exposure to cheaper stocks/sectors in the market. The Fund remains focused on lowly-valued areas where we feel there is potential for positive change in the years ahead.

Schroder Investment Management (UK) Limited
(Investment Adviser)
25 April 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.

Minimum Investment Amounts

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

A-Class	£20
R-Class	£20
I-Class	£1,000,000
F-Class	£500

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.

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.

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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

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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
UKSE0517

