

Legal & General UK Smaller Companies Trust

**Interim Manager's Report
for the period ended
18 December 2019
(Unaudited)**



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Manager's Investment Report

Investment Objective and Policy

In line with the updated rules and guidance for the asset management industry published by the Financial Conduct Authority (FCA) in February 2019, we have clarified the Investment Objectives and Policies for our UK regulated funds.

The revised Investment Objective and Policy came into effect on 7 August 2019. The previous and revised Investment Objective and Policy are set out below.

Prior to 7 August 2019

The objective of the 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.

The Trust may hold derivatives for the purposes of Efficient Portfolio Management.

From 7 August 2019

The objective of the Trust is to provide growth above that of the Numis ex-Investment Trusts Index Net TR, the "Benchmark Index". The Trust aims to outperform the Benchmark Index by 3% per annum. This objective is before the deduction of any charges and measured over rolling three year periods.

The Trust is actively managed and invests at least 90% in the shares of UK companies that are in the lowest 10% by capitalisation of UK stock markets. These companies are incorporated, headquartered or which have their principal business activities in the UK, or companies that are listed in the UK and constituents of the Benchmark Index.

Over a market cycle (typically 3 to 5 years), the Trust will comprise on average 50 to 100 companies selected by the Manager following research of each company.

The Trust may also invest in collective investment schemes including those managed or operated by the Manager or an affiliate of the Manager as well as participatory notes, preference shares, cash, permitted deposits and money market instruments (such as treasury bills).

In addition, the Trust is also permitted to receive and hold warrants and convertible bonds as a result of corporate actions.

The Trust may only hold derivatives for the purposes of Efficient Portfolio Management.

Manager's Investment Report

During the period under review, the bid price of the Trust's R-Class accumulation units rose by 12.06%. This compares to a rise in the benchmark (Numis Smaller Companies Ex Investment Trusts Index) of 10.71% 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.

Manager's Investment Report continued

Market/Economic Review

Equity markets gained ground over the review period, despite volatility reasserting itself in August with an escalation in US-China trade tensions. Markets were underpinned by an accommodative stance from the major central banks with the US Federal Reserve (Fed) opting to cut interest rates in July, September and October, aimed at keeping a decline in earnings expectations from morphing into a broader recession. As the review period ended, markets were boosted as the US and China agreed a phase one trade agreement cancelling planned American tariffs on Chinese goods and reducing those imposed in September, in exchange for Beijing increasing purchases of US agricultural goods.

In the UK, political developments overshadowed the equity market, particularly in the early part of the review period as uncertainty over Brexit negotiations increased scepticism amongst investors globally that the UK's withdrawal from the European Union can be resolved in a timely and efficient manner. The UK economy shrank during the second quarter for the first time in almost seven years, as stockpiling activity slowed and Brexit uncertainty intensified against a backdrop of weaker global growth. In October, the EU and the UK agreed to delay Brexit until the end of January 2020, preventing the UK from exiting without a withdrawal agreement. This prompted a sharp rally in Sterling during the fourth quarter as the risk of a 'no-deal' Brexit was reduced. As the review period ended, the Conservatives won an emphatic majority in the UK general election in mid-December. The surprisingly large scale of the majority provided a significant boost to the UK equity market under the assumption this would provide certainty of government, including being able to pass the EU Withdrawal Bill seamlessly through Parliament.

Domestically orientated smaller companies rallied strongly as the review period ended, with the decisive election result boosting sentiment towards stocks that derive a substantial proportion of their earnings from the UK economy. This rotation towards small cap stocks had begun in the autumn, as the risk of a disorderly Brexit was perceived to have receded.

Trust Review

During what was a strong period for the UK Smaller Companies Trust, the portfolio outperformed its benchmark. Stock selection was a significant positive, where the diversified split of mid-caps and low beta smaller market cap names helped make a positive contribution. Equally significant has been the rally of Sterling during the fourth quarter, which led to UK domestic-orientated stocks returning to favour at the expense of exporters and mega-cap sectors.

By sector, selection in industrials, healthcare, financials and consumer goods industries saw the most notable gains. On allocation, the underweight position in consumer services has been detrimental, given the share price momentum of several companies in the general retail sector.

At the stock level, healthcare services firm CVS Group, real estate investment Workspace Group and insurer Charles Taylor were the biggest positive contributors. Elsewhere, Cranswick, discoverIE Group, Genus and Safestore were additional strong performers.

Manager's Investment Report continued

Consumer finance business Boku was the big active negative detractor, while engineering Senior and First Derivatives were also weak in the period. Not owning Greggs and Games Workshop has been an additional drag on relative performance. In respect of trading activity, we introduced new positions in Pebble Group, a UK promotional products company, and Watkin Jones, a construction group specialising in purpose-built student accommodation and private rented housing. Finally, we exited our holding in mining business Petra Diamonds.

Outlook

Looking ahead, we are cautiously optimistic on the outlook for the UK economy, as some of the risks that have put a handbrake on growth for some time, namely a disorderly Brexit and the prospect of a hard-left government, have receded. This should bode well for more economically sensitive areas of the market where valuations are relatively low in contrast to the more defensive areas of the market. In particular, the so-called bond-proxy or high quality names, whose valuations leave little room for disappointment.

Legal & General Investment Management Limited
(Investment Adviser)
10 January 2020

Authorised Status

Authorised Status

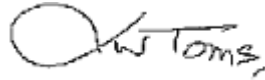
This Trust is an Authorised Unit Trust Scheme as defined in section 243 of the Financial Services and Markets Act 2000 and is a UCITS Retail Scheme within the meaning of the FCA Collective Investment Schemes sourcebook.

Directors' Statement

We hereby certify that this Manager's Report has been prepared in accordance with the requirements of the FCA Collective Investment Schemes sourcebook.



A. J. C. Craven
(Director)



L. W. Toms
(Director)

Legal & General (Unit Trust Managers) Limited
10 February 2020

Portfolio Statement

Portfolio Statement as at 18 December 2019

All investments are in ordinary shares unless otherwise stated. The percentages in brackets show the equivalent holdings at 18 June 2019.

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	UNITED KINGDOM		
	— 92.67% (88.48%)		
	Oil & Gas Producers		
	— 3.60% (3.22%)		
18,107,720	Amerisur Resources ¹	3,447,710	1.15
800,000	Energiean Oil & Gas	7,360,000	2.45
		10,807,710	3.60
	Chemicals — 2.87% (3.06%)		
246,000	Victrex	6,031,920	2.01
589,000	Zotefoams	2,585,710	0.86
		8,617,630	2.87
	Construction & Materials		
	— 2.50% (2.21%)		
860,189	Keller Group	6,580,446	2.19
982,103	Kier Group	940,363	0.31
		7,520,809	2.50
	Aerospace & Defense		
	— 3.93% (4.17%)		
2,945,911	Senior	5,122,939	1.71
321,465	Ultra Electronics	6,680,043	2.22
		11,802,982	3.93
	Electronic & Electrical Equipment		
	— 4.13% (4.62%)		
1,579,330	discoverIE Group	8,654,728	2.88
2,400,000	Luceco	2,808,000	0.94
490,000	Transense Technologies ¹	392,000	0.13
925,969	Xaar	542,608	0.18
		12,397,336	4.13
	Industrial Engineering		
	— 4.77% (4.25%)		
799,904	Flowtech Fluidpower ¹	971,883	0.32
519,053	Hill & Smith	7,687,175	2.56
6,758,288	Severfield	5,676,962	1.89
		14,336,020	4.77
	Industrial Transportation		
	— 1.69% (1.55%)		
180,775	Clarkson	5,061,700	1.69
	Support Services — 10.64% (9.10%)		
1,369,050	Alpha Financial Markets Consulting ¹	3,203,577	1.07
1,500,000	Biffa	4,035,000	1.34
2,129,139	Charles Taylor	7,302,947	2.43
1,515,916	Knights Group	5,517,934	1.84
1,013,863	Mears Group	2,717,153	0.90

Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
Support Services — (cont.)			
1,833,721	Northgate	5,712,041	1.90
1,841,765	Staffline Group ¹	1,445,785	0.48
6,365,505	Sureserve ¹	2,036,962	0.68
		31,971,399	10.64
Food Producers — 4.02% (3.82%)			
278,850	Cranswick	9,341,475	3.11
6,221,637	Science in Sport	2,737,520	0.91
		12,078,995	4.02
Household Goods & Home Construction — 5.91% (4.66%)			
1,365,701	Crest Nicholson	5,697,705	1.90
909,282	Headlam Group	4,728,266	1.57
761,904	Redrow	5,508,566	1.83
748,643	Watkin Jones	1,830,432	0.61
		17,764,969	5.91
Health Care Equipment & Services — 4.14% (4.48%)			
1,940,873	Advanced Medical Solutions Group ¹	5,376,218	1.79
541,513	Consort Medical	5,550,508	1.85
923,939	Medica Group	1,519,880	0.50
		12,446,606	4.14
Pharmaceuticals & Biotechnology — 7.10% (7.81%)			
283,880	Dechra Pharmaceuticals	8,011,094	2.67
288,540	Genus	9,123,635	3.04
4,672,684	Vectura Group	4,182,052	1.39
		21,316,781	7.10
Food & Drug Retailers — 0.26% (0.54%)			
2,017,049	McColl's Retail Group	776,564	0.26
General Retailers — 3.37% (2.69%)			
550,000	CVS Group	6,006,000	2.00
2,231,658	Moss Bros Group	490,965	0.16
9,237,654	Vertu Motors ¹	3,616,541	1.21
		10,113,506	3.37
Media — 6.13% (5.40%)			
4,945,200	Ebiquity ¹	1,780,272	0.59
494,701	Euromoney Institutional Investor	6,253,021	2.08
9,192,521	Hyve Group	8,346,809	2.78
1,665,657	Pebble Group	2,032,101	0.68
		18,412,203	6.13
Travel & Leisure — 2.43% (2.14%)			
2,125,975	Goals Soccer Centres ²	—	—
2,406,139	Gym Group	6,881,557	2.29

Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	Travel & Leisure — (cont.)		
641,818	Revolution Bars Group	417,182	0.14
		<hr/>	<hr/>
		7,298,739	2.43
	Fixed Line Telecommunications — 1.08% (1.35%)		
3,058,692	Zegona Communications	3,242,214	1.08
	Nonlife Insurance — 1.11% (1.22%)		
612,930	Beazley	3,334,339	1.11
	Real Estate Investment & Services — 1.80% (1.51%)		
500,000	Savills	5,415,000	1.80
	Real Estate Investment Trusts — 6.55% (6.73%)		
1,184,440	Hansteen	1,381,057	0.46
1,264,000	Safestore	9,555,840	3.18
766,097	Workspace Group	8,741,167	2.91
		<hr/>	<hr/>
		19,678,064	6.55
	Financial Services — 8.63% (7.82%)		
2,050,000	Arrow Global Group	5,215,200	1.74
1,674,000	CMC Markets	2,410,560	0.80
450,060	Curtis Banks Group ¹	1,449,193	0.48
390,985	IntegraFin	1,751,613	0.58
286,060	Mattioli Woods ¹	2,174,056	0.73
1,429,696	Morses Club	1,801,417	0.60
1,229,912	OneSavings Bank	5,109,054	1.70
1,388,983	River and Mercantile Group	3,472,458	1.16
936,966	Tatton Asset Management ¹	2,529,808	0.84
		<hr/>	<hr/>
		25,913,359	8.63
	Software & Computer Services — 5.50% (5.68%)		
129,750	First Derivatives ¹	3,503,250	1.17
2,789,427	NCC Group	5,774,114	1.92
380,193	Softcat	4,273,369	1.42
5,092,173	Tribal Group ¹	2,953,461	0.99
		<hr/>	<hr/>
		16,504,194	5.50
	Technology Hardware & Equipment — 0.00% (0.00%)		
3,338,400	Celoxica ²	—	—
	Oil Equipment & Services — 0.51% (0.45%)		
990,683	Tekmar Group	1,535,559	0.51
	AUSTRALIA — 0.22% (0.28%) Software & Computer Services — 0.22% (0.28%)		
13,329,950	Wameja	653,145	0.22

Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	BERMUDA — 0.36% (0.57%)		
	Mining — 0.36% (0.57%)		
2,147,079	Capital Drilling	1,095,010	0.36
	CHANNEL ISLANDS — 1.80% (1.97%)		
	Travel & Leisure — 1.80% (1.97%)		
137,490	Wizz Air	5,419,856	1.80
	GIBRALTAR — 1.28% (1.35%)		
	Travel & Leisure — 1.28% (1.35%)		
2,486,118	888	3,843,538	1.28
	ISLE OF MAN — 1.34% (1.14%)		
	Electronic & Electrical Equipment — 1.34% (1.14%)		
2,111,049	Strix Group ¹	4,019,437	1.34
	UNITED STATES — 1.00% (1.47%)		
	Support Services — 1.00% (1.47%)		
3,400,000	Boku ¹	2,992,000	1.00
Portfolio of investments³		296,369,664	98.67
Net other assets		3,991,393	1.33
Total net assets		£300,361,057	100.00%

¹ These securities are quoted on the Alternative Investment Market and comprise 13.97% of the net assets of the Trust.

² Delisted securities are valued at the Manager's best assessment of their fair and reasonable value.

³ All investments are admitted to an official stock exchange unless otherwise stated.

Total purchases for the period: £6,199,450.

Total sales for the period: £11,093,637.

Financial Statements

Statement of Total Return for the period ended 18 December 2019

	18/12/19		18/12/18	
	£	£	£	£
Income				
Net capital gains/ (losses)		30,724,867		(72,227,176)
Revenue	3,721,103		3,780,058	
Expenses	(1,322,701)		(2,378,457)	
Interest payable and similar charges	(1,322)		(4)	
Net revenue before taxation	<u>2,397,080</u>		<u>1,401,597</u>	
Taxation	—		—	
Net revenue after taxation for the period		<u>2,397,080</u>		<u>1,401,597</u>
Total return before distributions		<u>33,121,947</u>		<u>(70,825,579)</u>
Distributions		<u>(2,628,498)</u>		<u>(1,663,426)</u>
Change in net assets attributable to Unitholders from investment activities		<u>£30,493,449</u>		<u>£(72,489,005)</u>

Statement of Change in Net Assets attributable to Unitholders for the period ended 18 December 2019

	18/12/19		18/12/18	
	£	£	£	£
Opening net assets attributable to Unitholders		284,003,257		348,213,237
Amounts received on issue of units	6,525,685		11,555,307	
Amounts paid on cancellation of units	<u>(22,839,598)</u>		<u>(21,629,441)</u>	
		<u>(16,313,913)</u>		<u>(10,074,134)</u>
Change in net assets attributable to Unitholders from investment activities		30,493,449		(72,489,005)
Retained distributions on accumulation units		2,169,628		738,649
Unclaimed distributions		<u>8,636</u>		<u>12,741</u>
Closing net assets attributable to Unitholders		<u>£300,361,057</u>		<u>£266,401,488</u>

The difference between the opening net assets and the comparative closing net assets is the movement in the second half of the year.

Financial Statements continued

Balance Sheet as at 18 December 2019

	18/12/19 £	18/06/19 £
ASSETS		
Fixed assets:		
Investments	296,369,664	270,538,977
Current assets:		
Debtors	1,479,072	1,167,914
Cash and bank balances	3,400,651	13,749,019
Total assets	<u>301,249,387</u>	<u>285,455,910</u>
LIABILITIES		
Creditors:		
Distributions payable	(392,974)	(1,045,276)
Other creditors	(495,356)	(407,377)
Total liabilities	<u>(888,330)</u>	<u>(1,452,653)</u>
Net assets attributable to Unitholders	<u>£300,361,057</u>	<u>£284,003,257</u>

Notes to the Financial Statements

1. Statement of Compliance

The Financial Statements have been prepared in compliance with UK Financial Reporting Standard 102 (FRS 102) and in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014 (2014 SORP).

2. Accounting Policies

The accounting policies applied are consistent with the most recent annual Financial Statements.

(a) Basis of Preparation

The Financial Statements have been prepared on a going concern basis, under the historical cost convention as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss.

Trust Information

Net Asset Values and Units in Issue

Class	Net Asset Value (£)	Units in Issue	Net Asset Value per Unit (p)
R-Class			
Distribution Units	77,614,210	8,044,228	964.84
Accumulation Units	26,148,065	2,371,840	1,102.44
F-Class			
Accumulation Units	72,898	6,244	1,167.49
I-Class			
Distribution Units	3,775,784	383,071	985.66
Accumulation Units	4,230,543	352,818	1,199.07
C-Class			
Accumulation Units	91,737,594	174,407,434	52.60
L-Class			
Accumulation Units	96,781,963	174,244,874	55.54

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.

Ongoing Charges Figures

	18 Dec 19	18 Jun 19
R-Class	1.53%	1.53%
F-Class	1.03%	1.03%
I-Class	0.78%	0.78%
C-Class	0.60%	0.60%
L-Class	0.05%	0.05%

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 fund and is calculated based on the last period's figures.

Trust Information continued

Distribution Information

R-Class

The distribution payable on 18 February 2020 is 4.4889p per unit for distribution units and 5.1052p per unit for accumulation units.

F-Class

The distribution payable on 18 February 2020 is 8.3172p per unit for accumulation units.

I-Class

The distribution payable on 18 February 2020 is 8.3202p per unit for distribution units and 10.0345p per unit for accumulation units.

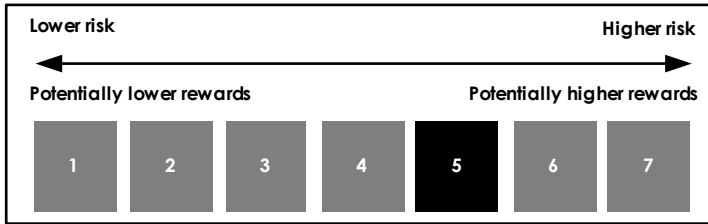
C-Class

The distribution payable on 18 February 2020 is 0.4874p per unit for accumulation units.

L-Class

The distribution payable on 18 February 2020 is 0.6671p per unit for accumulation units.

Risk and Reward Profile



- The Risk and Reward Indicator table demonstrates where the Trust ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is not guaranteed to remain the same and may change over time. It is based on historical data and may not be a reliable indication of the future risk profile of the Trust. The shaded area in the table above shows the Trust's ranking on the Risk and Reward Indicator.
- 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.
- Even a trust in the lowest category is not a risk free investment.

General Information

Constitution

Launch date:	9 September 1985
Period end dates for distributions:	18 December, 18 June
Distribution dates:	18 February, 18 August
Minimum initial lump sum investment:	R-Class £100 F-Class* £500 I-Class £1,000,000 C-Class** £20,000,000 L-Class*** £100,000
Minimum monthly contributions:	R-Class £20 F-Class* £50 I-Class N/A C-Class** N/A L-Class*** N/A
Valuation point:	12 noon
Fund management fees:	R-Class Annual 1.53% F-Class* Annual 1.03% I-Class Annual 0.78% C-Class** Annual 0.60% L-Class*** Annual 0.05%
Initial charge:	Nil for all existing unit classes

* Class F units are 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.

** Class C units are available to certain eligible investors who meet the criteria for investment in such units as outlined in the share class policy of the Manager, which is available to investors in the C-Class upon request. Where investors in the C-Class no longer continue to meet the criteria for investment in such units, further investment in such units may not be permitted.

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

Pricing and Dealing

The prices are published on the internet at www.legalandgeneral.com/investments/funds/prices-and-reports/daily-fund-prices immediately after they become available.

Dealing in units takes place on a forward pricing basis, from 8:30am to 6:00pm, Monday to Friday.

General Information continued

Buying and Selling Units

Units may be bought on any business day from the Manager or through a financial adviser by completing an application form or on the internet at www.legalandgeneral.com. Units may normally be sold back to the Manager on any business day at the bid price calculated at the following valuation point.

ISA Status

This Trust may be held within this tax advantaged savings arrangement. The favourable tax treatment of ISAs may not be maintained. For full written information, please contact your usual financial adviser or ring 0370 050 0955.

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

Prospectus and Manager's Reports

Copies of the Prospectus and the most recent annual or interim reports are available free of charge by telephoning 0370 050 0955 or by writing to the Manager.

Do you have difficulty in reading information in print because of a disability? If so, we can help. We are able to produce information for our clients in large print and braille. If you would like to discuss your particular requirements, please contact us on 0370 050 0955.

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, though the size of any return will be dependent on the size of subscriptions and redemptions.

Significant Changes

Change in Investment Objective and Policy

In line with the updated rules and guidance for the asset management industry published by the Financial Conduct Authority (FCA) in February 2019, we have clarified the Investment Objectives and Policies for our UK regulated funds.

The revised Investment Objective and Policy came into effect on 7 August 2019. The previous and revised Investment Objective and Policy are set out on page 2.

Publication of Short Report Discontinued

With effect from 20 September 2019, the Short Report for this Trust will no longer be issued.

Closure of F Distribution Class

The F-Class distribution class was closed on 12 December 2019.

General Information continued

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

Directors of the Manager

R. M. Bartley (resigned 31 December 2018)
E. Cowhey* (appointed 9 October 2019)
A. J. C. Craven
S. Hynes
H. Morrissey
H. Solomon
L. W. Toms
A. R. Toutouchi*
M. J. Zinkula (resigned 15 July 2019)

*Non-executive Director

Secretary

J. McCarthy

Registrar

Legal & General (Unit Trust Managers) Limited
P.O. Box 6080,
Wolverhampton WV1 9RB
Authorised and regulated by the Financial Conduct Authority

Dealing: 0370 050 0956
Enquiries: 0370 050 0955
Registration: 0370 050 0955

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

Investment Adviser

Legal & General Investment Management Limited
One Coleman Street,
London EC2R 5AA
Authorised and regulated by the Financial Conduct Authority

**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

