

Legal & General (Alliance & Leicester)
Capital Growth Fund

**Interim Manager's
Short Report
for the period ended
31 August 2018**

**EVERY
DAY
MATTERS.®**



Investment Objective and Policy

The objective of the Fund is to track the capital performance of the FTSE 350 Index (the 'Index') and to maintain a gross income yield equal to that of the Index.

Securities in the Index will be held with weightings generally proportionate to their official Index weighting. From time to time non-Index constituents may be held as a result of a corporate action and these holdings will be sold or transferred as soon as reasonably practical.

Risk Profile

Market Risk

Market risk arises mainly from uncertainty about future prices. It represents the potential loss the Fund 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.

Fund Facts

Period End Dates for Distributions:	28 Feb, 31 Aug	
Distribution Dates:	30 Apr, 31 Oct	
Ongoing Charges Figures:	31 Aug 18	28 Feb 18
	0.60%	0.98%

The Ongoing Charges Figure (OCF) is the ratio of the Fund's total disclosable costs (excluding overdraft interest) 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 number highlighted above reflects the rate at which the Fund's unit price has moved up and down in the past. If the Fund has less than five years' track record, the number also reflects the rate at which the Index the Fund tracks 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 Fund 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 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

The distribution payable on 31 October 2018 is 3.4668p 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)
Accumulation Units	152,009,516	90,386,625	168.18

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.

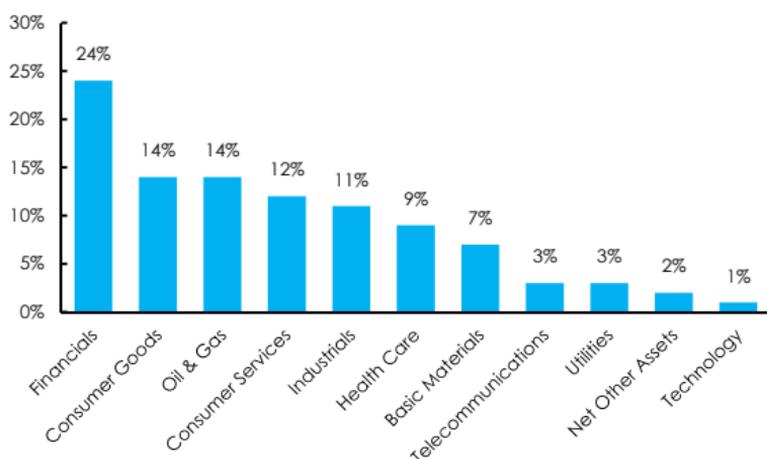
Exchange rate changes may cause the value of any overseas investments to rise or fall.

Portfolio Information

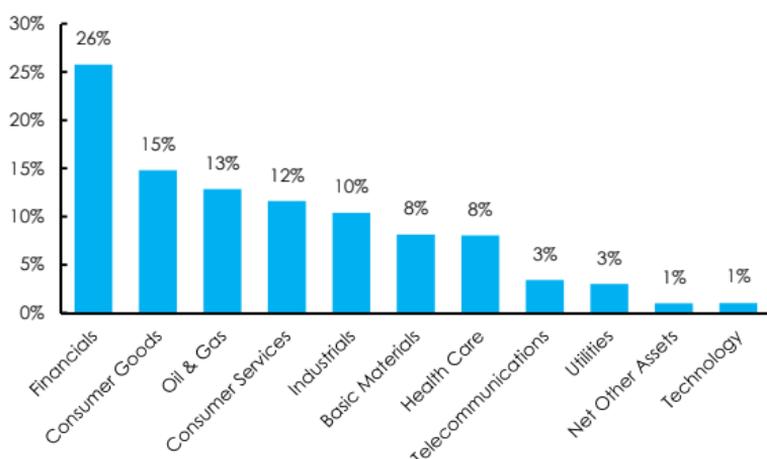
The top 10 holdings and their associated weighting at the current period end and preceding year end were:

Top 10 Holdings at 31 August 2018		Top 10 Holdings at 28 February 2018	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
HSBC	5.67%	HSBC	6.31%
BP	4.53%	British American Tobacco	4.26%
Royal Dutch Shell 'A' (Dutch Listing)	4.31%	Royal Dutch Shell 'A' (Dutch Listing)	4.04%
Royal Dutch Shell 'B'	4.04%	BP	4.03%
British American Tobacco	3.60%	Royal Dutch Shell 'B'	3.83%
GlaxoSmithKline	3.24%	GlaxoSmithKline	2.76%
AstraZeneca	3.10%	Diageo	2.66%
Diageo	2.74%	AstraZeneca	2.65%
Unilever	2.13%	Vodafone Group	2.36%
Prudential	1.91%	Lloyds Banking Group	2.15%

Fund Holdings as at 31 August 2018



Fund Holdings as at 28 February 2018



Manager's Investment Report

During the period under review, the bid price of the Fund's units rose by 5.45%. FTSE, the Index compiler, calculates the benchmark Index at the end of the business day using closing prices, whereas the Fund is valued using prevailing prices at 12pm. Therefore, for tracking purposes the Fund has been revalued using closing prices. On this basis over the review period, the Fund returned 3.18% on a capital only basis, compared with the FTSE 350 Index return of 3.16% (Source: Bloomberg), producing a tracking difference of +0.02%.

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.

Exchange rate changes may cause the value of any overseas investments to rise or fall.

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Market/Economic Review

Despite closing 2017 on a positive note, UK equities faltered during the first quarter of 2018 recording three consecutive months of losses before rallying in April and May. Initially, Sterling strengthened with the currency reaching its highest level since the 2016 referendum, surpassing \$1.40 at the end of January. This caused a headwind for companies and sectors with high international earnings, notably food & beverages. Subsequently, the currency weakened, providing a boost for the same companies. Although the Bank of England indicated interest rates may need to be increased as soon as May, the economy grew at its slowest pace for six years during the first quarter, leading the Bank to adopt a more cautious approach, raising its benchmark base rate to 0.75% in August. The energy sectors performed well, boosted by the strength of the oil price. Companies with significant exposure to emerging markets underperformed, notably mining companies and financials. UK equities struggled in August as Brexit-related headlines intensified, along with the probability attached to a no deal scenario.

The more domestically focused FTSE Mid 250 Index (+5.09%) outperformed the more globally focused FTSE 100 Index (+2.77%) during the review period. The UK market was at its lowest in March but rebounded in May and maintained its level towards the end of the period.

Manager's Investment Report continued

The best performing sectors over the review period were Oil Equipment, Services & Distribution (+25.39%), Food & Drug Retailers (+24.34%) and Pharmaceuticals & Biotechnology (+24.06%). The worst performing sectors over the review period were Mobile Telecommunications (-17.93%), Software & Computer Services (-14.22%) and Industrial Transportation (-13.22%).

Fund Review

Companies held within the Fund are held with weightings generally proportionate to those of the Index. Hence investment activity, other than to raise or invest cash, is only necessary when there are changes in the issued share capital or free float of the constituent companies, or to the constituents of the Index.

During the period under review there were two Index reviews carried out by FTSE. The March quarterly Index review resulted in seven additions and seven deletions. The largest additions were Pantheon International, Baillie Gifford Japan Trust and Games Workshop Group. The largest deletions were MITIE Group, Vectura Group and Hansteen Holdings. There were 44 changes to the free share capital of constituents with the largest increases being Royal Dutch Shell 'A' and Ocado Group and the largest decreases being Diageo and Rio Tinto.

The Index review in June resulted in four additions and four deletions. The largest additions were Laird, Premier Oil, IntegraFin and Energean Oil and Gas. The largest deletions were Marstons, Woodford Patient Capital Trust, Pets At Home Group and Purecircle. There were 213 changes to the free share capital of constituents with the largest increases being BP and Royal Bank of Scotland Group and the largest decreases being Melrose Industries and Rio Tinto.

Outside of the reviews there was a noticeable amount of overseas Merger & Acquisition (M&A) activity. Booker was deleted from the Index as a result of all stock merger with Tesco. Aldermore Group was acquired by FirstRand Limited for cash. GKN was taken over by Melrose Industries in exchange for stock. UBM was acquired by Informa in a stock acquisition. Ladbrokes Coral Group merged with GVC. The cash deals included Fidessa Group acquired by ION Bidco, Fenner by Michelin B, ZPG by Zephyr Bidco and Laird by AI Ladder Limited. As M&A targets were deleted from the Index a number of stocks were promoted from the FTSE Small Cap Index including Edinburgh Dragon Trust, Vinacapital Vietnam opportunity Fund, Primary Health Properties, AA, JPMorgan Japanese Investment Trust, Fidelity Special Values, Keller Group, BlackRock Smaller Companies Trust and Hilton Food Group.

Another noteworthy corporate action involved the demerger of Quilter from Old Mutual and the creation of a new holding company which subsequently became assigned to South Africa resulting in the new company being deleted from UK Indices.

Manager's Investment Report continued

Companies raising capital via rights issues included John Laing Group, Galliford Try, Provident Financial, Phoenix Group and DS Smith. The Weir Group and Metro Bank raised capital for growth via primary placings. Secondary placings that resulted in companies having their freely available share capital increased in the Index were made for ConvaTec Group and Just Group. In addition, HMRC reduced their stake to 62.4% in Royal Bank of Scotland Group.

Outlook

Following the rate hike in August to 0.75%, the Bank of England (BoE) is likely to stay on hold until next year. Despite above-target inflation, the BoE will be wary to hike again in the midst of a congested Brexit timetable. Better fiscal position opens up space for further easing, more likely to be deployed ahead of next election, e.g. NHS spending. We have maintained our UK GDP growth rate expectation at 1.3% in 2018 and 1.5% in 2019. Brexit 'No deal' scenario is still a potential outcome, however we are assigning a probability of less than 10%. Headline inflation is expected to stay below 3% unless oil rises further. Our view is that the fundamentals driving economic growth remain relatively strong, and global growth is synchronised and therefore see limited recession risks in the next 12 months.

The Fund remains well positioned to capture the performance of the Index.

Legal & General Investment Management Limited

(Investment Adviser)

26 September 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.

Information on Tracking Error

The 'Tracking Error' of a Fund is the measure of the volatility of the differences between the return of the Fund and the return of the benchmark Index. It provides an indication of how closely the Fund is tracking the performance of the benchmark Index after considering things such as Fund charges and taxation.

Using monthly returns, over the review period, the annualised Tracking Error of the Fund is 0.08%, whilst over the last three years to the end of August 2018 the annualised Tracking Error of the Fund is 0.15%. These Tracking Errors are within the anticipated Tracking Error levels set out in the Fund's Prospectus of +/-0.50% per annum.

Dual Pricing Arrangement

The Manager's fixed dual pricing arrangement has a set spread to account for the costs of transacting in a particular Fund.

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 Fund in the form of a payment from the Manager. This provides an enhanced return to the fund, though the size of any return will be dependent on the size of subscriptions and redemptions.

Minimum Investment Amounts

The minimum initial lump sum investment amount for R-Class Accumulation is £500. Monthly contributions can be made with a minimum amount of £50 per month.

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.

Significant Changes

Change of Fund Management Fees (FMF)

With effect from 1 June 2018, the FMF for R-Class Accumulation units have been reduced from 0.82% to 0.52%.

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 (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 (Alliance & Leicester) Capital Growth Fund, 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,

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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

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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

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London E14 5GL

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