

Legal & General Real Capital Builder Fund
**Interim Manager's
Short Report
for the period ended
30 June 2019**



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 revised and previous Investment Objective and Policy are set out below.

From 7 August 2019

The objective of the Fund is to grow capital, at the rate of UK inflation (CPI) +4% per annum (the “Benchmark”) on average over a rolling five year period and to manage volatility so that it remains around 66% of the global share markets as represented by the MSCI World TR Net Index.

There is no guarantee that the Fund’s objective will be met over any time period and capital is at risk. This objective is before the deduction of any charges and assumes any income is reinvested.

The Fund is actively managed and invests at least 50% in shares of companies and depositary receipts from any region of the world, including emerging markets, and in any currency. The Fund will also invest in bonds (both government and corporate) to help manage volatility and to protect capital.

Over a market cycle (typically 3 to 5 years), the Fund will hold, on average, shares in 20 to 40 companies selected by the Manager following research of each company. At times the Fund’s portfolio of company shares may be concentrated.

The Fund may also invest in participatory notes, preference shares, cash, permitted deposits, money market instruments (such as treasury bills), real estate investment trusts (REITs) and collective investment schemes, including those which are operated by the Manager or an associate of the Manager.

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

The Fund may only hold derivatives for Efficient Portfolio Management purposes.

Prior to 7 August 2019

The Fund’s objective is to grow capital, at the rate of inflation (CPI) +4% per annum on average over a rolling five year period and to manage volatility so that it remains around two thirds of the MSCI World Index. There is no guarantee that the objective will be met over any time period and capital is at risk. This objective is before the deduction of any charges and assumes any income is reinvested.

The Fund seeks to achieve capital growth by investing mainly in equities. The Fund will also invest in fixed income securities to help manage volatility and to protect capital.

The Fund’s portfolio will be concentrated.

The Fund may invest in any region of the world, including emerging markets, and in any currency.

Investment Objective and Policy continued

The Fund may also invest in permitted deposits, money market instruments, cash, near cash and units in collective investment schemes. The collective investment schemes in which the Fund invests will include those managed by Legal & General.

The Fund may use derivatives for Efficient Portfolio Management only.

Risk Profile

Credit Risk

This Fund is invested in financial securities such as bonds.

With these investments, there is a risk of suffering loss due to a party not meeting its financial obligations. This risk is managed by monitoring the financial stability of investments and companies, via credit ratings.

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.

Currency Risk

This Fund holds investments in overseas financial securities.

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.

Interest Rate Risk

This Fund is invested in interest bearing securities.

The performance of the Fund may therefore be affected by changes in interest rates. The active monitoring and adjustment of the investments in the portfolio manages this risk.

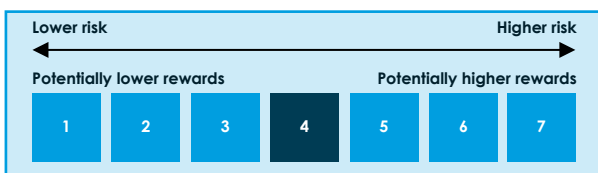
Fund Facts

Period End Dates for Distributions:	30 June, 31 December	
Distribution Dates:	31 August, 28 February	
Ongoing Charges Figures:	30 Jun 19	31 Dec 18
I-Class	0.55%	0.57%
C-Class	0.50%	0.50%
L-Class	0.05%	0.07%

The Ongoing Charges Figure (OCF) is the ratio of the Fund's total disclosable 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



- The Risk and Reward Indicator table demonstrates where the Fund 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 Fund. The shaded area in the table above shows the Fund's ranking on the Risk and Reward Indicator.
- The Fund is in category four because the mix of different asset types in which the Fund invests has a balancing effect on the rate at which the Fund share price moves up and down. This type of fund is generally considered to be higher risk than one investing only in bonds and lower risk than one investing only in company shares.
- Even a fund in the lowest category is not a risk free investment.

Distribution Information

I-Class

The distribution payable on 31 August 2019 is 0.3523p per unit for distribution units and 0.3575p per unit for accumulation units.

C-Class

The distribution payable on 31 August 2019 is 0.3665p per unit for distribution units and 0.3725p per unit for accumulation units.

L-Class

The distribution payable on 31 August 2019 is 0.4765p per unit for distribution units and 0.4846p 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)
I-Class			
Distribution Units	2,931	5,877	49.87
Accumulation Units	287,945	565,210	50.94
C-Class			
Distribution Units	1,001	2,000	50.05
Accumulation Units	1,023	2,000	51.15
L-Class			
Distribution Units	997	2,000	49.85
Accumulation Units	224,982,222	438,162,180	51.35

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.

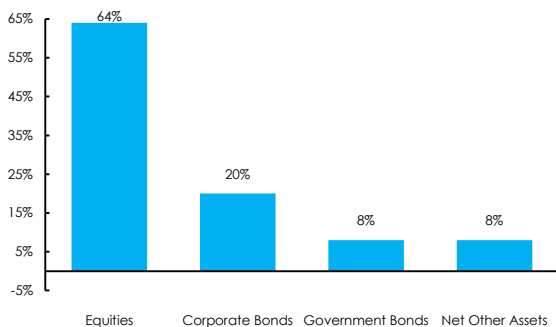
Exchange rate changes may cause the value of any overseas investments to rise or fall.

Portfolio Information

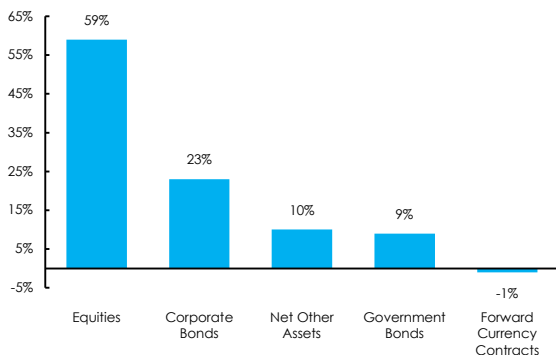
The top 10 holdings and their associated weighting at the current and preceding period ends were:

Top 10 Holdings at 30 June 2019		Top 10 Holdings at 31 December 2018	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
AIA Group	3.68%	AIA Group	3.04%
Medtronic	2.83%	Alphabet 'A'	2.54%
		Nomura Bank International	2.48%
Novo Nordisk	2.72%	Novo Nordisk	2.47%
Reckitt Benckiser Group	2.46%	Reckitt Benckiser Group	2.38%
IHS Markit	2.42%		
Intercontinental Exchange	2.42%	KION Group	2.27%
Microsoft	2.33%	JPMorgan Chase	2.27%
Facebook	2.29%	Medtronic	2.22%
Honeywell International	2.27%	Woongjin Coway	2.17%
Alphabet 'A'	2.21%	Samsonite International	2.14%

Fund Holdings as at 30 June 2019



Fund Holdings as at 31 December 2018



Manager's Investment Report

During the period under review, the bid price of the Fund's I-Class distribution units rose by 12.33%.

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

Market/Economic Review

The first half of 2019 has been a strong reversal of the second half of 2018, both in equity market narrative and performance. We ended 2018 with a steeply rising rate curve, the US 10 year hitting over 3.2%, questions about the end of a prolonged expansion cycle, the start of a recession, rising geopolitical tensions between the US and China which resulted in equity valuations to correct dramatically due to higher discount rate and economic uncertainty.

In the last six months, bond yields have compressed as a result of a significant change in stance from central bankers, particularly the Fed, with the US 10 year currently sitting at 2% and remaining flat over a lengthy period indicating further fiscal stimulus, increased likelihood of a deal to be reached between US and China and better than expected company performance and economic growth. Equity markets have retraced much of their losses from the first half of 2018 and have recovered to market levels last hit in the middle of that year, but now with a strong backdrop of growth and economic fundamentals, which would suggest the cycle has longer to go.

Fund Review

During the period, the Real Capital Builder Fund reported a return of 12.33%. We saw a strong contribution from equities in the period, while our fixed income exposure also enhanced performance. At the sector level, we've seen sizeable alpha from our exposure to technology, financials, industrials and communication services. Broadly, cyclical growth has proved resilient year-to-date, despite the falling yields, weakness in manufacturing-related data and some concerns over companies' earnings. Portfolio exposure to long-term themes, such as simulation software, connecting the world and supply chain automation, continues to add alpha. Meanwhile, the extreme valuation dispersion between growth/quality and value stocks has continued.

At the individual level, we've seen a number of stocks contribute in excess of 80bps. Life Insurance giant AIA Group was the biggest positive contributor. The shares hit a new all-time price high as it continues to demonstrate its resilient model. Recent results showed accelerating near term momentum as AIA wins market share in China, and a strong tailwind of growth. Aspen Technology performed strongly. The design and simulation software category is benefiting from a number of long-term secular themes and trends in cyclical end-markets, including the broader digitalisation of industries. Nintendo has been a strong performer year-to-date.

Manager's Investment Report continued

Key newsflow has been the legal approval for Tencent to license Nintendo Switch in China. This is an important milestone to strengthen the partnership between the two companies and for Nintendo to enter into the Chinese market. Facebook appear to have put behind it the controversies from 2018. While the company continues to benefit from a shift to digital advertising through product enhancements (Instagram Stories), management have prudently been conservative on growth expectations through 2019. Looking further ahead, we are encouraged by monetisation potential and cash flow growth and improved focus on governance and ESG. Honeywell International enjoyed strong performance on the back of an earnings beat and encouraging comments around digital transformation as part of their investor day. Details behind growth levers in quantum computing, supply chain simplification and connected devices as part of their IT technology all provided excitement for analysts and investors. Other sizeable positive contributors include Microsoft, Thermo Fisher Scientific, Mastercard and Alibaba Group.

On the flipside, the biggest detractors were NMC Health and Samsonite International. Consumer brand Samsonite International has been impacted as the ongoing trade war creates sales volatility and uncertainty of visibility in short term trading performance. For NMC Health, shares have been under pressure since management provided more details of their strategy plans for Saudi Arabia, including their JV with GOSI. Short interest has been building on the stock amid accounting and cash flow concerns.

During the period, we have reduced our exposure to cyclical growth companies, repositioning the portfolio more towards secular and structural growth names that are more aligned with our investment philosophy. Trading activity saw us introduce Electronic Arts, Intercontinental Exchange, IHS Markit, Progressive and Fevertree Drinks. On the flipside, we sold Auto Trader, Activision Blizzard, Charles Schwab and Mylan. We also reduced exposure to KION Group, ams and Fortive.

Outlook

Looking ahead, while some concerns remain around geopolitical uncertainty and the sustainability of economic momentum, it is clear that the reversal in sentiment amid signs of a US-China trade truce has added support for growth and equities.

Legal & General Investment Management Limited
(Investment Adviser)
30 July 2019

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 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 amounts for each class are as follows:

I-Class	£1,000,000
C-Class	£20,000,000
L-Class	£100,000

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 agreement with the Manager or an affiliate of the Manager.

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 Change

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.

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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,

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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 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

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Financial Conduct Authority**

Legal & General

(Unit Trust Managers) Limited

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One Coleman Street,

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www.legalandgeneral.com

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