

Legal & General UK Select Equity Fund
**Annual Manager's
Short Report**
for the year ended
30 September 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.

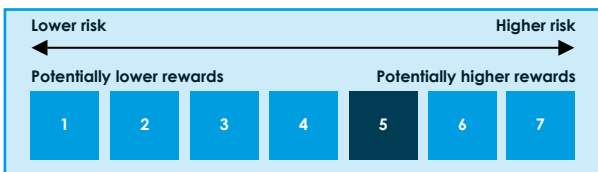
Fund Facts

Period End Dates for Distributions:	31 Mar, 30 Sep	
Distribution Dates:	31 May, 30 Nov	
Ongoing Charges Figures:	30 Sep 17	30 Sep 16
R-Class	1.68%	1.68%
A-Class	1.38%	1.53%
F-Class	1.18%	1.18%
I-Class	0.79%	0.79%

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 five 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

R-Class

The distribution payable on 30 November 2017 is 4.2809p per unit for accumulation units.

A-Class

The distribution payable on 30 November 2017 is 4.8239p per unit for accumulation units.

F-Class

The distribution payable on 30 November 2017 is 5.2737p per unit for accumulation units.

I-Class

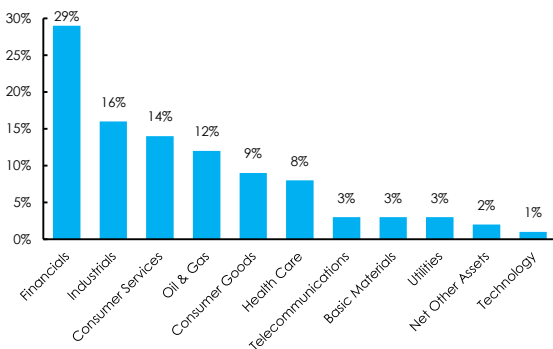
The distribution payable on 30 November 2017 is 5.4025p per unit for distribution units and 6.0911p per unit for accumulation units.

Portfolio Information

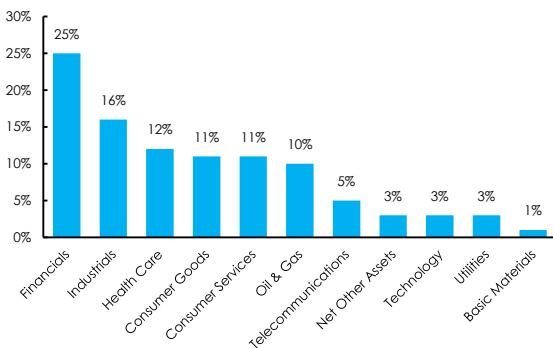
The top 10 holdings and their associated weighting at the current and preceding year ends were:

Top 10 Holdings at 30 September 2017		Top 10 Holdings at 30 September 2016	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
BP	6.32%	British American Tobacco	5.40%
Royal Dutch Shell 'B'	6.16%	GlaxoSmithKline	5.36%
British American Tobacco	5.03%	Royal Dutch Shell 'B'	5.26%
HSBC	4.89%	BP	5.01%
GlaxoSmithKline	4.17%	AstraZeneca	4.35%
Schroder UK Smaller Companies 'I' Income	3.98%	Schroder UK Smaller Companies 'I' Income	3.89%
Aviva	3.22%	Vodafone Group	3.25%
Lloyds Banking Group	3.04%	HSBC	3.24%
AstraZeneca	3.01%	Melrose Industries	3.11%
Rio Tinto	2.99%	Reed Elsevier (RELX)	3.03%

Fund Holdings as at 30 September 2017



Fund Holdings as at 30 September 2016



Comparative Tables

R-Class Accumulation Units

Change in Net Asset Value per Unit

Accounting year ending	30/09/17 (pence per unit)	30/09/16 (pence per unit)	30/09/15 (pence per unit)
Opening net asset value per unit	314.67	268.73	273.49
Return before operating charges*	39.74	50.72	(0.01)
Operating charges (calculated on average price)	(5.67)	(4.78)	(4.75)
Return after operating charges*	34.07	45.94	(4.76)
Distributions	(6.76)	(6.29)	(5.25)
Retained distributions on accumulation units	6.76	6.29	5.25
Closing net asset value per unit	348.74	314.67	268.73
* after direct transaction costs of:	0.29	0.28	0.16

Performance

Return after charges	10.83%	17.10%	(1.74)%
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Other Information

Closing net asset value (£)	1,132,779	1,195,559	1,204,067
Closing number of units	324,824	379,937	448,064
Operating charges†	1.68%	1.68%	1.67%
Direct transaction costs	0.09%	0.10%	0.06%

Prices

Highest unit price	359.20p	317.80p	305.00p
Lowest unit price	310.60p	251.50p	252.60p

† Operating charges, otherwise known as the OCF is the ratio of the Fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Fund. Included within the OCF are synthetic costs which include the OCF of the underlying funds weighted on the basis of their investment proportion.

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

A-Class Accumulation Units

Change in Net Asset Value per Unit

Accounting year ending	30/09/17 (pence per unit)	30/09/16 (pence per unit)	30/09/15 (pence per unit)
Opening net asset value per unit	315.13	268.73	273.49
Return before operating charges*	39.85	50.75	(0.01)
Operating charges (calculated on average price)	(4.68)	(4.35)	(4.75)
Return after operating charges*	35.17	46.40	(4.76)
Distributions	(7.80)	(6.29)	(5.25)
Retained distributions on accumulation units	7.80	6.29	5.25
Closing net asset value per unit	350.30	315.13	268.73
* after direct transaction costs of:	0.29	0.28	0.16

Performance

Return after charges	11.16%	17.27%	(1.74)%
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Other Information

Closing net asset value (£)	420,501,878	425,009,769	409,187,135
Closing number of units	120,040,989	134,866,686	152,269,041
Operating charges†	1.38%	1.53%	1.67%
Direct transaction costs	0.09%	0.10%	0.06%

Prices

Highest unit price	360.50p	318.20p	305.00p
Lowest unit price	311.20p	251.50p	252.60p

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Comparative Tables continued

F-Class Accumulation Units

Change in Net Asset Value per Unit

Accounting year ending	30/09/17 (pence per unit)	30/09/16 (pence per unit)	30/09/15 (pence per unit)
Opening net asset value per unit	320.93	272.65	276.23
Return before operating charges*	40.41	51.69	(0.21)
Operating charges (calculated on average price)	(4.04)	(3.41)	(3.37)
Return after operating charges*	36.37	48.28	(3.58)
Distributions	(8.62)	(7.44)	(6.74)
Retained distributions on accumulation units	8.62	7.44	6.74
Closing net asset value per unit	357.30	320.93	272.65
* after direct transaction costs of:	0.30	0.29	0.17

Performance

Return after charges	11.33%	17.71%	(1.30)%
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Other Information

Closing net asset value (£)	979	43,095	1,216
Closing number of units	274	13,428	446
Operating charges†	1.18%	1.18%	1.17%
Direct transaction costs	0.09%	0.10%	0.06%

Prices

Highest unit price	367.60p	324.10p	309.00p
Lowest unit price	315.30p	255.70p	255.10p

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Comparative Tables continued

I-Class Distribution Units

Change in Net Asset Value per Unit

Accounting year ending	30/09/17 (pence per unit)	30/09/16 (pence per unit)	30/09/15 (pence per unit)
Opening net asset value per unit	292.08	254.86	265.34
Return before operating charges*	36.93	47.34	(0.73)
Operating charges (calculated on average price)	(2.45)	(2.12)	(2.16)
Return after operating charges*	34.48	45.22	(2.89)
Distributions on income units	(9.08)	(8.00)	(7.59)
Closing net asset value per unit	317.48	292.08	254.86
* after direct transaction costs of:	0.28	0.27	0.16

Performance

Return after charges	11.80%	17.74%	(1.09)%
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Other Information

Closing net asset value (£)	113,999	7,854	2,885
Closing number of units	35,908	2,689	1,132
Operating charges†	0.79%	0.79%	0.78%
Direct transaction costs	0.09%	0.10%	0.06%

Prices

Highest unit price	331.70p	299.40p	294.40p
Lowest unit price	288.60p	238.90p	245.10p

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Comparative Tables continued

I-Class Accumulation Units

Change in Net Asset Value per Unit

Accounting year ending	30/09/17 (pence per unit)	30/09/16 (pence per unit)	30/09/15 (pence per unit)
Opening net asset value per unit	326.31	276.19	278.59
Return before operating charges*	41.37	52.44	(0.12)
Operating charges (calculated on average price)	(2.79)	(2.32)	(2.28)
Return after operating charges*	38.58	50.12	(2.40)
Distributions	(10.19)	(8.76)	(8.05)
Retained distributions on accumulation units	10.19	8.76	8.05
Closing net asset value per unit	364.89	326.31	279.19
* after direct transaction costs of:	0.31	0.29	0.17

Performance

Return after charges	11.82%	18.15%	(0.86)%
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Other Information

Closing net asset value (£)	44,036,515	31,272,439	11,984,337
Closing number of units	12,068,439	9,583,621	4,339,090
Operating charges†	0.79%	0.79%	0.78%
Direct transaction costs	0.09%	0.10%	0.06%

Prices

Highest unit price	374.90p	329.50p	312.50p
Lowest unit price	322.40p	259.40p	257.40p

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Manager's Investment Report

During the year under review, the price of the Fund's A-Class accumulation units rose by 11.16%, whilst the FTSE All-Share Index rose by 11.95% on a total return basis (Source: Bloomberg).

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Market/Economic Review

UK equities performed well over the review year against a backdrop of increased inflation expectations, which rose amid an improving global growth outlook and as the economic policy discussion moved towards fiscal measures. There was a resulting rotation towards shares of companies whose profits do relatively well when economic activity accelerates ("cyclicals"). The shares of many internationally diversified companies continued to enjoy positive sentiment given the weakness of Sterling after the UK's decision to leave the European Union.

Fund Review

The Fund marginally underperformed the benchmark Index over the review year. The Fund's underweight exposure to the mining sector, primarily not holding Glencore, was the principal detractor to relative returns. This was driven in part by the rotation towards cyclical areas of the market.

Private equity house 3i Group was the top positive contributor on the back of strong results from one of its key portfolio holdings; pan-European discount retailer, Action. Strong sales, margin expansion and encouraging outlook led to substantial net asset value and profits upgrades as well as improving sentiment resulting in a re-rating.

Politically driven market volatility and rate rises in the US helped NEX Group become another of the top performers. Investment in growth initiatives have weighed on profitability and sentiment more recently but it remains well placed to benefit from the regulatory driven trends towards electronic trading and tighter reporting requirements.

We initiated a new position in Marks & Spencer Group whose shares have lagged given concerns around their Clothing and Home divisions 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 and a dividend yield in excess of 5%.

We also 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 in a stronger competitive position, well-placed in the growing global education market.

Manager's Investment Report continued

We used renewed share price weakness to initiate a position in Capita. The shares have materially underperformed over the last two years on the back of a series of profit warnings which have led to a management overhaul, asset disposals and early adoption of the more prudent IFRS 15 accounting standard. In our opinion, these changes address some of their legacy issues and help put Capita on a stronger foundation for the incoming CEO to build off.

We also initiated a new position in Emerging Market asset manager, Ashmore, as a means of gaining diversified exposure to the attractive fundamentals of Emerging Markets. Ashmore has top performing funds and should also benefit as institutional investors reduce their underweight exposure to Emerging Market assets.

We exited our holding in healthcare and household goods manufacturer Reckitt Benckiser on the back of share price strength following its agreed takeover of American baby milk manufacturer Mead Johnson. In our opinion, Reckitt's valuation was very full. We also exited the holding in Tate & Lyle, which has performed very well and as a consequence the valuation opportunity has played out.

Outlook

As this equity bull market has progressed, investors have increasingly sought out high-quality businesses with relatively safe profit streams. In part, this is a consequence of disappointing levels of profits earnings growth combined with continued monetary easing from central banks. For the UK equity market this backdrop has led to a prolonged period of outperformance of growth and lower-risk stocks. However, most of these now trade on elevated valuations. We believe that this presents significant valuation risk to investors and consequently the Fund has limited exposure to these areas, instead favouring the more lowly-valued areas where we feel there is potential for positive change in the years ahead.

UK domestic-focused companies face specific challenges given that a prolonged period of uncertainty is likely as Brexit negotiations continue. As active investors, however, we are starting to see opportunities emerge as we note that much of this uncertainty is reflected in Sterling weakness, economic forecasts and profits forecasts as well as relative sector valuations. However, we continue to avoid domestic stocks that are exposed to high-ticket consumer spending in the UK (e.g. housebuilders and auto retailers). Here we believe valuations are less compelling and these stocks are more vulnerable to some of the challenges that the UK consumer is currently facing.

Schroder Investment Management (UK) Limited
(Investment Adviser)
23 October 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:

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

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 year under review and how it is invested at the year 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

Removal of the Initial Charge for R-Class

With effect from 6 June 2017, the initial charge for R-Class units has been removed. Prior to this change, the initial charge was 5%. The removal of the initial charge will provide better value for investors, as there is no longer a cost of setting up the investment.

Removal of the Initial Commission

With effect from 6 June 2017, initial commission will no longer be paid on the Fund. The initial commission was intended to reflect the costs incurred by the product provider and the intermediary for setting up and selling the business, however, Legal & General no longer consider it appropriate to continue to pay commission on such transactions.

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

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Financial Conduct Authority**

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