

Legal & General UK Select Equity Fund
Interim Manager's Report
for the period ended
31 March 2017
(Unaudited)

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Manager's Investment Report

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.

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.

Manager's Investment Report continued

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 and a dividend yield in excess of 5%. In our opinion, there is significant potential for the shares to re-rate 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.

Manager's Investment Report continued

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

Authorised Status

Authorised Status

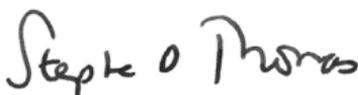
This Fund is an Authorised Unit Trust Scheme as defined in section 243 of the Financial Services and Markets Act 2000 and is a UCITS Retail Scheme within the meaning of the FCA Collective Investment Schemes sourcebook.

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)



S. D. Thomas
(Director)

Legal & General (Unit Trust Managers) Limited
18 May 2017

Portfolio Statement

Portfolio Statement as at 31 March 2017

All investments are in ordinary shares unless otherwise stated. The percentages in brackets show the equivalent sector holdings at 30 September 2016.

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	UNITED KINGDOM		
	— 96.08% (95.10%)		
	Oil & Gas Producers		
	— 11.74% (10.27%)		
6,150,000	BP	28,351,500	5.94
1,250,000	Royal Dutch Shell 'B'	27,631,250	5.80
		55,982,750	11.74
	Mining — 2.01% (1.02%)		
300,000	Rio Tinto	9,606,000	2.01
	Construction & Materials		
	— 4.71% (4.80%)		
3,500,000	Balfour Beatty	9,275,000	1.94
6,000,000	Melrose Industries	13,185,000	2.77
		22,460,000	4.71
	Aerospace & Defence		
	— 4.21% (4.05%)		
2,250,000	BAE Systems	14,568,750	3.06
1,850,000	Cobham	2,495,650	0.52
400,000	Rolls-Royce	3,024,000	0.63
		20,088,400	4.21
	General Industrials — 2.70% (2.54%)		
800,000	Smiths Group	12,856,000	2.70
	Support Services — 4.54% (4.83%)		
3,900,000	G4S	11,836,500	2.48
4,000,000	Rentokil Initial	9,804,000	2.06
		21,640,500	4.54
	Food Producers — 0.57% (0.64%)		
350,000	Tate & Lyle	2,696,750	0.57
	Household Goods & Home Construction — 0.00% (0.95%)		
	Personal Goods — 0.56% (0.99%)		
68,000	Unilever	2,679,880	0.56
	Tobacco — 8.14% (8.17%)		
500,000	British American Tobacco	26,445,000	5.55
320,000	Imperial Tobacco	12,372,800	2.59
		38,817,800	8.14
	Health Care Equipment & Services		
	— 0.00% (0.76%)		
	Pharmaceuticals & Biotechnology		
	— 7.99% (9.71%)		
310,000	AstraZeneca	15,262,850	3.20
1,365,000	GlaxoSmithKline	22,850,100	4.79
		38,112,950	7.99

Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	Food & Drug Retailers		
	— 4.45% (3.65%)		
3,650,000	Morrison (WM) Supermarkets	8,708,900	1.83
6,700,000	Tesco	12,492,150	2.62
		21,201,050	4.45
	General Retailers		
	— 2.61% (1.09%)		
5,000,000	Debenhams	2,717,500	0.57
1,050,000	Halfords Group	3,693,900	0.77
1,800,000	Marks & Spencer Group	6,031,800	1.27
		12,443,200	2.61
	Media — 5.51% (4.80%)		
520,000	Daily Mail & General Trust	3,736,200	0.78
750,000	Informa	4,856,250	1.02
750,000	Pearson	5,032,500	1.06
810,000	Reed Elsevier (RELX)	12,627,900	2.65
		26,252,850	5.51
	Travel & Leisure — 1.21% (1.26%)		
125,000	Carnival	5,765,000	1.21
	Fixed Line Telecommunications		
	— 1.53% (1.92%)		
2,300,000	BT Group	7,300,200	1.53
	Mobile Telecommunications		
	— 2.49% (3.25%)		
5,700,000	Vodafone Group	11,864,550	2.49
	Electricity — 0.92% (0.85%)		
1,350,000	Drax Group	4,379,400	0.92
	Gas, Water & Multiutilities		
	— 1.93% (1.92%)		
4,250,000	Centrica	9,188,500	1.93
	Banks — 12.51% (8.61%)		
3,000,000	Barclays	6,789,000	1.42
3,100,000	HSBC Holdings	20,261,600	4.25
21,000,000	Lloyds Banking Group	13,910,400	2.92
3,000,000	Royal Bank of Scotland	7,260,000	1.52
1,500,000	Standard Chartered	11,449,500	2.40
		59,670,500	12.51
	Nonlife Insurance		
	— 1.19% (1.10%)		
500,000	Jardine Lloyd Thompson Group	5,660,000	1.19
	Life Insurance — 4.29% (3.78%)		
2,900,000	Aviva	15,529,500	3.26
2,000,000	Legal & General Group	4,930,000	1.03
		20,459,500	4.29
	Financial Services		
	— 6.24% (5.16%)		
1,500,000	3i Group	11,100,000	2.33
588,087	Ashmore Group	2,061,245	0.43
1,250,000	NEX Group	7,087,500	1.49
311,717	SVG Capital	2,241,245	0.47

Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	Financial Services — (cont.)		
1,550,000	TP ICAP	7,249,350	1.52
		<hr/>	<hr/>
		29,739,340	6.24
	Equity Investment Instruments — 3.45% (6.18%)		
2,000,000	Schroder UK Smaller Companies 'I' Income†	16,453,998	3.45
	Software & Computer Services — 0.58% (2.80%)		
110,000	Fidessa Group	2,751,100	0.58
	CHANNEL ISLANDS — 0.99% (2.19%)		
	Pharmaceuticals & Biotechnology — 0.99% (2.19%)		
100,000	Shire	4,729,000	0.99
	Portfolio of investments	462,799,218	97.07
	Net other assets	13,945,557	2.93
	Total net assets	<hr/> £476,744,775	<hr/> 100.00%

† This is an unlisted security and has been valued at the Manager's best assessment of its fair and reasonable value.

Total purchases for the period: £50,316,025.

Total sales for the period: £69,072,236.

Financial Statements

Statement of Total Return for the period ended 31 March 2017

	31/03/17		31/03/16	
	£	£	£	£
Income				
Net capital gains		36,430,705		13,189,404
Revenue	7,382,368		7,189,399	
Expenses	(3,081,665)		(3,489,272)	
Interest payable and similar charges	—		(1,136)	
Net revenue before taxation	4,300,703		3,698,991	
Taxation	—		—	
Net revenue after taxation for the period	<u>4,300,703</u>		<u>3,698,991</u>	
Total return before distributions	40,731,408		16,888,395	
Distributions	<u>(4,300,703)</u>		<u>(3,698,991)</u>	
Change in net assets attributable to Unitholders from investment activities	<u>£36,430,705</u>		<u>£13,189,404</u>	

Statement of Change in Net Assets attributable to Unitholders for the period ended 31 March 2017

	31/03/17		31/03/16	
	£	£	£	£
Opening net assets attributable to Unitholders		457,528,716		422,379,640
Amounts received on issue of units	3,362,666		11,564,011	
Amounts paid on cancellation of units	<u>(24,798,291)</u>		<u>(26,256,462)</u>	
	(21,435,625)		(14,692,451)	
Change in net assets attributable to Unitholders from investment activities	36,430,705		13,189,404	
Retained distributions on accumulation units	<u>4,220,979</u>		<u>3,667,799</u>	
Closing net assets attributable to Unitholders	<u>£476,744,775</u>		<u>£424,544,392</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 31 March 2017

	31/03/17	30/09/16
	£	£
ASSETS		
Fixed assets:		
Investments	462,799,218	445,124,723
Current assets:		
Debtors	2,209,165	684,719
Cash and bank balances	13,034,119	12,931,281
Total assets	478,042,502	458,740,723
LIABILITIES		
Creditors:		
Distributions payable	(869)	(124)
Other creditors	(1,296,858)	(1,211,883)
Total liabilities	(1,297,727)	(1,212,007)
Net assets attributable to Unitholders	£476,744,775	£457,528,716

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 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 assets and liabilities measured at fair value through profit or loss.

Fund Information

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
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.

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.

Fund Information continued

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.

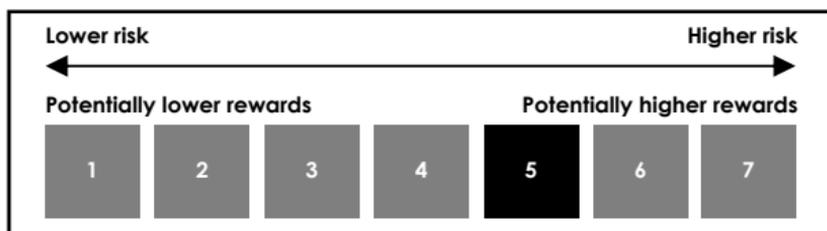
I-Class

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.

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.

General Information

Constitution

Launch date:	2 January 1996	
Period end dates for distributions:	30 September, 31 March	
Distribution dates:	30 November, 31 May	
Minimum initial lump sum investment:	A-Class	£20
	R-Class	£20
	I-Class	£1,000,000
	F-Class*	£500
Valuation point:	12 noon	
Fund management fee:	A-Class	Annual 1.37%
	R-Class	Annual 1.67%
	I-Class	Annual 0.78%
	F-Class*	Annual 1.17%
Initial charges:	A-Class	Nil
	R-Class	5.00%
	I-Class	Nil
	F-Class*	Nil

* 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.

Pricing and Dealing

The prices are published on the internet at www.legalandgeneral.com/investments/fund-information/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.

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 Fund 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.

General Information continued

Prospectus and Manager's Reports

The Manager will send to all persons on the Unitholder Register annual and interim short form 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.

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

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

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

Directors of the Manager

R. M. Bartley

A. J. C. Craven

S. Hynes (appointed 29 June 2016)

H. Solomon

S. D. Thomas

L. W. Toms

A. R. Toutouchi*

M. J. Zinkula

* 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 Limited

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

General Information continued

Independent Auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT

Investment Adviser

Schroder Investment Management (UK) Limited
31 Gresham Street,
London EC2V 7QA
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

