

Legal & General UK Equity Income Fund
**Annual Manager's
Short Report
for the year ended
24 January 2017**

**EVERY
DAY
MATTERS.®**



Investment Objective and Policy

The Fund aims to provide an income in excess of the FTSE All-Share Index yield and to provide capital growth over the long term.

The Manager will seek to achieve the investment objective by investing predominantly in the securities of companies domiciled in the UK or in companies which have a significant part of their activities in the UK but which are domiciled or quoted on a regulated market outside the UK. The Fund may also invest in other non-UK domiciled securities which are traded in the UK. The Fund may use depositary receipts and derivatives both for efficient portfolio management and investment purposes.

The Fund may also invest in other transferable securities, permitted deposits, money market instruments, cash, near cash and units in collective investment schemes.

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.

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.

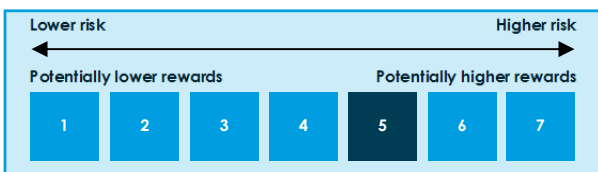
Fund Facts

Period End Dates for Distributions:	24 Jan, 24 Apr, 24 Jul, 24 Oct	
Distribution Dates:	24 Mar, 24 Jun, 24 Sep, 24 Dec	
Ongoing Charges Figures:	24 Jan 17	24 Jan 16
R-Class	1.76%	1.67%
I-Class	0.87%	0.78%
L-Class	0.12%	0.03%
F-Class	1.26%	1.17%

The Ongoing Charges Figure (OCF) is the ratio of the Fund's total discloseable 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 is based on the rate at which the value of the Fund and a representative benchmark have 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 24 March 2017 is 0.5535p per unit for distribution units and 0.6911p per unit for accumulation units.

I-Class

The distribution payable on 24 March 2017 is 0.5804p per unit for distribution units and 0.7250p per unit for accumulation units.

L-Class

The distribution payable on 24 March 2017 is 0.6047p per unit for distribution units.

F-Class

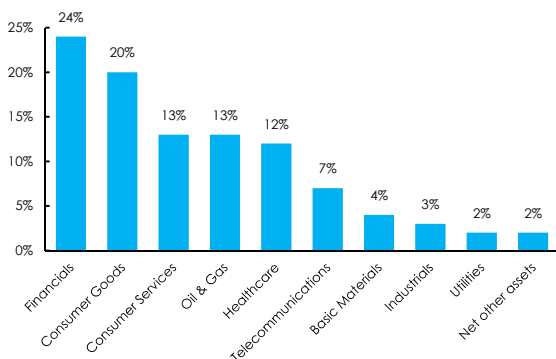
The distribution payable on 24 March 2017 is 0.5682p per unit for distribution units and 0.7090p per unit for accumulation units.

Portfolio Information

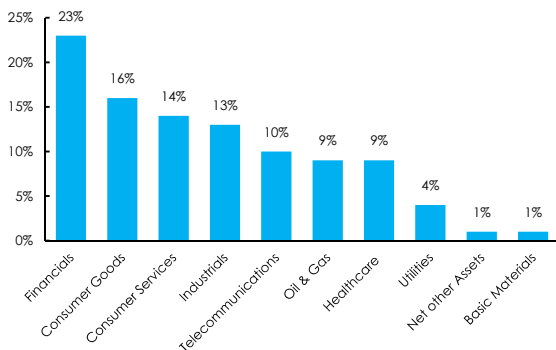
The top 10 holdings and their associated weighting at the current and preceding year end were:

Top 10 Holdings at 24 January 2017		Top 10 Holdings at 24 January 2016	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
HSBC Holdings	5.70%	Vodafone Group	4.91%
BP	5.04%	BT Group	4.72%
British American Tobacco	4.80%	HSBC Holdings	4.01%
Royal Dutch Shell 'A'	4.77%	Imperial Brands	3.97%
Imperial Brands	4.56%	Roche Holdings	3.82%
AstraZeneca	4.26%	Lloyds Banking Group	3.49%
Vodafone Group	3.96%	AstraZeneca	3.46%
Lloyds Banking Group	3.72%	British American Tobacco	3.25%
Royal Dutch Shell 'B'	3.41%	Taylor Wimpey	2.87%
GlaxoSmithKline	3.36%	BP	2.75%

Fund Holdings as at 24 January 2017



Fund Holdings as at 24 January 2016



Comparative Tables

R-Class Distribution Units

Change in Net Asset Value per Unit

Accounting year ending	24/01/17 (pence per unit)	24/01/16 (pence per unit)	24/01/15 (pence per unit)
Opening net asset value per unit	54.73	59.87	61.55
Return before operating charges*	8.24	(1.84)	1.64
Operating charges (calculated on average price)	(1.01)	(1.00)	(1.00)
Return after operating charges*	7.23	(2.84)	0.64
Distributions on income units	(2.54)	(2.30)	(2.32)
Closing net asset value per unit	59.42	54.73	59.87
* after direct transaction costs of:	0.16	0.18	0.28

Performance

Return after charges	13.21%	(4.74)%	1.04%
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Other Information

Closing net asset value (£)	151,014,666	149,823,424	177,562,769
Closing number of units	254,156,558	273,774,078	296,574,674
Operating charges†	1.76%	1.67%	1.67%
Direct transaction costs	0.27%	0.27%	0.44%

Prices

Highest unit price	65.39p	67.15p	67.53p
Lowest unit price	51.19p	53.44p	54.51p

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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.

Comparative Tables continued

R-Class Accumulation Units

Change in Net Asset Value per Unit

Accounting year ending	24/01/17 (pence per unit)	24/01/16 (pence per unit)	24/01/15 (pence per unit)
Opening net asset value per unit	66.14	69.62	68.84
Return before operating charges*	10.13	(2.30)	1.91
Operating charges (calculated on average price)	(1.25)	(1.18)	(1.13)
Return after operating charges*	8.88	(3.48)	0.78
Distributions	(3.12)	(2.71)	(2.56)
Retained distributions on accumulation units	3.12	2.71	2.56
Closing net asset value per unit	75.02	66.14	69.62
* after direct transaction costs of:	0.19	0.18	0.28

Performance

Return after charges	13.43%	(5.00)%	1.13%
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Other Information

Closing net asset value (£)	42,367,750	39,376,099	43,563,769
Closing number of units	56,472,846	59,533,303	62,573,822
Operating charges†	1.76%	1.67%	1.67%
Direct transaction costs	0.27%	0.27%	0.44%

Prices

Highest unit price	81.80p	78.87p	75.54p
Lowest unit price	61.88p	64.01p	62.28p

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Comparative Tables continued

I-Class Distribution Units

Change in Net Asset Value per Unit

Accounting year ending	24/01/17 (pence per unit)	24/01/16 (pence per unit)	24/01/15 (pence per unit)
Opening net asset value per unit	57.01	61.80	62.97
Return before operating charges*	8.62	(1.93)	1.69
Operating charges (calculated on average price)	(0.52)	(0.48)	(0.48)
Return after operating charges*	8.10	(2.41)	1.21
Distributions on income units	(2.66)	(2.38)	(2.38)
Closing net asset value per unit	62.45	57.01	61.80
* after direct transaction costs of:	0.16	0.18	0.28

Performance

Return after charges	14.21%	(3.90)%	1.92%
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Other Information

Closing net asset value (£)	4,799,926	3,861,789	2,667,210
Closing number of units	7,686,493	6,774,071	4,315,638
Operating charges†	0.87%	0.78%	0.78%
Direct transaction costs	0.27%	0.27%	0.44%

Prices

Highest unit price	65.43p	66.22p	65.86p
Lowest unit price	53.34p	55.66p	56.14p

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Comparative Tables continued

I-Class Accumulation Units

Change in Net Asset Value per Unit

Accounting year ending	24/01/17 (pence per unit)	24/01/16 (pence per unit)	24/01/15 (pence per unit)
Opening net asset value per unit	68.91	71.88	70.45
Return before operating charges*	10.59	(2.40)	1.98
Operating charges (calculated on average price)	(0.64)	(0.57)	(0.55)
Return after operating charges*	9.95	(2.97)	1.43
Distributions	(3.26)	(2.81)	(2.70)
Retained distributions on accumulation units	3.26	2.81	2.70
Closing net asset value per unit	78.86	68.91	71.88
* after direct transaction costs of:	0.20	0.18	0.28

Performance

Return after charges	14.44%	(4.13)%	2.03%
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Other Information

Closing net asset value (£)	118,149,996	190,952,373	197,117,984
Closing number of units	149,830,941	277,123,898	274,217,425
Operating charges†	0.87%	0.78%	0.78%
Direct transaction costs	0.27%	0.27%	0.44%

Prices

Highest unit price	81.87p	77.79p	73.68p
Lowest unit price	64.49p	66.68p	64.14p

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Comparative Tables continued

L-Class Distribution Units

Change in Net Asset Value per Unit

Accounting year ending	24/01/17 (pence per unit)	24/01/16 (pence per unit)	24/01/15 (pence per unit)
Opening net asset value per unit	59.04	63.52	64.23
Return before operating charges*	8.95	(2.00)	1.75
Operating charges (calculated on average price)	(0.07)	(0.02)	(0.02)
Return after operating charges*	8.88	(2.02)	1.73
Distributions on income units	(2.76)	(2.46)	(2.44)
Closing net asset value per unit	65.16	59.04	63.52
* after direct transaction costs of:	0.17	0.18	0.28

Performance

Return after charges	15.04%	(3.18)%	2.69%
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Other Information

Closing net asset value (£)	85,362,125	119,174,844	137,043,036
Closing number of units	131,001,908	201,851,537	215,736,211
Operating charges†	0.12%	0.03%	0.03%
Direct transaction costs	0.27%	0.27%	0.44%

Prices

Highest unit price	68.27p	68.24p	67.23p
Lowest unit price	55.27p	57.63p	57.57p

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Comparative Tables continued

F-Class Distribution Units

Change in Net Asset Value per Unit

Accounting year ending	24/01/17 (pence per unit)	24/01/16 (pence per unit)	24/01/15 (pence per unit)
Opening net asset value per unit	55.95	60.90	62.28
Return before operating charges*	8.44	(1.90)	1.68
Operating charges (calculated on average price)	(0.74)	(0.71)	(0.71)
Return after operating charges*	7.70	(2.61)	0.97
Distributions on income units	(2.60)	(2.34)	(2.35)
Closing net asset value per unit	61.05	55.95	60.90
* after direct transaction costs of:	0.16	0.18	0.28

Performance

Return after charges	13.76%	(4.29)%	1.56%
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Other Information

Closing net asset value (£)	50,906	50,473	54,163
Closing number of units	83,388	90,210	88,943
Operating charges†	1.26%	1.17%	1.17%
Direct transaction costs	0.27%	0.27%	0.44%

Prices

Highest unit price	63.98p	65.16p	65.11p
Lowest unit price	52.34p	54.62p	55.37p

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Comparative Tables continued

F-Class Accumulation Units

Change in Net Asset Value per Unit

Accounting year ending	24/01/17 (pence per unit)	24/01/16 (pence per unit)	24/01/15 (pence per unit)
Opening net asset value per unit	67.59	70.79	69.65
Return before operating charges*	10.38	(2.36)	1.95
Operating charges (calculated on average price)	(0.91)	(0.84)	(0.81)
Return after operating charges*	9.47	(3.20)	1.14
Distributions	(3.19)	(2.76)	(2.67)
Retained distributions on accumulation units	3.19	2.76	2.67
Closing net asset value per unit	77.06	67.59	70.79
* after direct transaction costs of:	0.20	0.18	0.28

Performance

Return after charges	14.01%	(4.52)%	1.64%
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Other Information

Closing net asset value (£)	38,824	33,595	65,783
Closing number of units	50,381	49,704	92,926
Operating charges†	1.26%	1.17%	1.17%
Direct transaction costs	0.27%	0.27%	0.44%

Prices

Highest unit price	80.01p	76.51p	72.82p
Lowest unit price	63.25p	65.41p	63.24p

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Manager's Investment Report

During the year under review, the bid price of the Fund's R-Class accumulation units rose by 13.46%. This compares to a rise in the FTSE All-Share Index of 24.31% on a total return basis

(Source: Bloomberg).

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Market/Economic Review

Despite an uncertain political environment, global equities rallied over the review year, supported by the strong recovery in commodity prices. The Organisation of Petroleum Exporting Countries (OPEC) decision to curb production helped lift the oil price to more favourable levels for energy stocks. Over the year under review, markets shifted from pricing in a possible recession in the US market to realise a period of steady growth, positive inflation indicators and surprisingly hawkish pronouncements from the Federal Reserve. Donald Trump's victory in November focused investors on the prospect of increased infrastructure and tax cuts, however, it remains to be seen how and if these policy proposals will be implemented.

UK equities were led higher by globally focused large-cap stocks in 2016, as the weakness of Sterling translated into higher international earnings. As the second quarter drew to a close, attention focused on the EU referendum in June, with an unexpected result in favour of Brexit, heightening UK equity market volatility. There was initially a marked divergence in performance by market capitalisation, with more domestically focused mid-cap stocks underperforming FTSE 100 constituents. However, UK Mid cap stocks also delivered positive returns for the review year as a whole. In the final few days of 2016, the FTSE 100 Index moved to new all-time highs above 7000.

In the last quarter of the year, the energy, basic materials and financials sectors were the leading performers for the region. Smaller companies also performed well over the review year, as stronger data releases suggested that the UK economy has weathered the post-referendum volatility well.

Fund Review

Following a challenging first quarter, the Fund delivered strong positive returns over the rest of the review year. However, performance deteriorated during the second half of the review year thanks to sector allocation, where the Fund had an underweight position in areas of the market that benefitted from the 'value' rally, such as materials.

At the individual stock level, Imperial Brands and construction firm Taylor Wimpey were early contributors to Fund performance; however, both came to underperform as the year progressed. Spread-betting firm CMC Markets was a large negative contributor as fears over regulatory announcements in the UK and Germany on contracts for difference (CFDs) trading weighed on the share price. Conversely, our holdings in Prudential and BP were positive drivers of performance over the review year.

Manager's Investment Report continued

In terms of portfolio trading activity, Diageo and Prudential were both added to the portfolio prior to the EU referendum on account of their overseas earning profiles. We also purchased the UK pub operator Greene King and DS Smith, a leading European packaging company. Over the review year, we reduced holdings in Compass Group and SABMiller, whilst selling out of Total. Following a period of strong performance since its addition to the Fund in Q1, profits were taken mid-Q4 from UK hospitality firm Whitbread. Some profits were also taken from Adecco, Inchcape and Ibstock.

Outlook

We see steady global growth continuing in 2017, aided by increasingly supportive US government spending. While global equity markets have been buoyed by diminishing deflation concerns, the perception of a 'goldilocks' economy, with good growth and low inflation, might prove short-lived. Equity markets could be well on their way to anticipating the next global recession by the end of the year.

The UK economy has been resilient following the Brexit vote, but the consequences of the fall in the value of Sterling could be felt more strongly during 2017. As inflation rises, the real world value of UK incomes could come under pressure. There remains the potential for weak business investment and less employment growth as uncertainty around the UK's future relationship with the EU leads to a deferral of expansion plans. In this environment, the Bank of England is likely to be faced with a combination of above-target inflation but sluggish growth.

Legal & General Investment Management Limited

(Investment Adviser)

30 January 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.

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. With effect from 1 January 2016, 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, through 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:

R-Class	£500
I-Class	£1,000,000
L-Class	£100,000
F-Class	£500

In addition, monthly contributions can be made with a minimum amount of £50 per month into the R-Class and F-Class only.

L-Class is only available for investment to companies within the Legal & General Group.

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.

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

Significant Changes

Change in Fund Management Fee (FMF)

With effect from 1 April 2016, the FMF for all classes will be increased as shown below:

	Old FMF	New FMF
R-Class	1.67%	1.77%
I-Class	0.78%	0.88%
L-Class	0.03%	0.13%
F-Class	1.17%	1.27%

The Authorised Fund Manager is increasing the FMF's to pay for investment research costs which were previously paid from broker trading commissions.

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

7 More London Riverside

London SE1 2RT

**Authorised and regulated by the
Financial Conduct Authority**

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UEI0317

