

Legal & General UK Equity Income Fund
Interim Manager's Report
for the period ended
24 July 2018
(Unaudited)

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Manager's Investment Report

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.

Manager's Investment Report

During the six months under review, the bid price of the fund's R-Class accumulation units fell by 1.08%.

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

Global equity indices gained ground over the review period. Although markets had closed 2017 on a strong note, reflecting a steady improvement in global economic indicators and corporate earnings growth, selling pressures subsequently emerged. Market volatility rose markedly during the first quarter of 2018, particularly as trade tensions between the US and China escalated. However, a favourable economic background and encouraging first quarter earnings enabled markets to end the period on a firmer footing. Energy stocks performed well as the oil price reached \$79 per barrel in May, its highest level since 2014. Technology and consumer discretionary stocks also performed well, boosted by encouraging earnings announcements. Financials were amongst the weakest sectors as the differential between 2-year and 10-year US Treasury bond yields reached its lowest point since 2007.

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. Sterling's recent weakness has provided a boost for companies with substantial international earnings. 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 of 2018 leading the Bank to adopt a more cautious approach and leave interest rates on hold. The resources sectors have performed well, while autos were boosted by a hostile takeover bid from Melrose Industries for component supplier GKN, which eventually received shareholder approval.

Fund Review

Over the review period, the fund delivered a negative return.

The early months of the period were particularly difficult for the fund's performance. This was mostly driven by sector positioning and stock selection, however, our sector overweight position in consumer services added some value. Much of the relative weakness was due to the significant fall of Micro Focus, though TP ICAP and WPP were additional detriments.

Manager's Investment Report continued

Micro Focus issued a surprise revenue warning in relation to IT and North American sales execution problems, while there were further concerns over its leverage position. Additionally, transitional issues from the Hewlett Packard Enterprise takeover continue to be a headwind. This all culminated in the resignation of the CEO. While this is all clearly disappointing, we took the decision to use the sharp fall in the share price to add to our existing position.

For TP ICAP, the shares were softer to reflect the lower guidance, given the impact from dollar weakness and some additional regulatory costs. On a more positive note, the trading performance and update on cost synergies were encouraging.

Advertising giant WPP was a heavy faller following the release of Q4 results, where weak US net sales growth was met with consensus downgrades. Management also reported a lacklustre start to 2018 in what was a sombre outlook for the year ahead, which weighed on the shares.

Gaming company GVC continues to perform well, underpinned by strong trading momentum and potential for upside revisions to synergies from the Ladbrokes Coral deal. The market has also begun to price in some of the opportunity from US sports-betting, which is very early stage.

In respect of trading, we sold down our holding of GlaxoSmithKline and introduced a new position in Indivior, where we believe the risk/reward is more attractive. Indivior saw its share price fall heavily after Dr. Reddy's announced the launch of a generic rival to a key product. The company filed for a preliminary injunction hearing on Suboxone film patent litigation, which looks balanced at this stage. While this will be a distraction for investors, attention will also now turn to the Sublocade ramp up, which potential represents a key catalyst over the coming months. For GlaxoSmithKline, the shares rallied strongly in Q2, though we struggle to see further outperformance at these levels.

Outlook

In the UK, the pound has weakened as worries over ongoing Brexit negotiations more than offset the fact that the Bank of England was more hawkish than expected, with a rate rise expected in the third quarter. The Bank of England now expects the UK economy to grow at an annualised rate of 1.4% over the quarter, rather than by 1.8% as previously estimated, while they also forecast that inflation could fall back slightly more quickly, reaching its 2% target in two years. The fund is positioned to take advantage of growth in the consumer services and financials, particularly banks and life and non-life insurance companies. Relative to the broader market, the portfolio has a bias to those companies operating domestically over those internationally.

Legal & General Investment Management Limited
(Investment Adviser)
15 August 2018

Authorised Status

Authorised Status

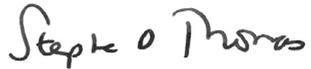
This Fund is an Authorised Unit Trust Scheme as defined in section 243 of the Financial Services and Markets Act 2000 and is a UCITS Retail Scheme within the meaning of the FCA Collective Investment Schemes sourcebook.

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
12 September 2018

Portfolio Statement

Portfolio Statement as at 24 July 2018

All investments are in ordinary shares unless otherwise stated. The percentages in brackets show the equivalent holdings at 24 January 2018.

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	UNITED KINGDOM		
	— 92.49% (90.14%)		
	Oil & Gas Producers		
	— 10.33% (9.55%)		
2,222,072	BP	12,634,701	4.80
2,340,000	Diversified Gas & Oil	2,714,400	1.03
433,000	Royal Dutch Shell 'B'	11,820,900	4.50
		27,170,001	10.33
	Chemicals — 2.74% (2.05%)		
195,000	Johnson Matthey	7,211,100	2.74
	Mining — 9.07% (7.49%)		
237,000	Anglo American	3,957,900	1.51
486,000	BHP Billiton	8,124,948	3.09
279,700	Rio Tinto	11,758,588	4.47
		23,841,436	9.07
	Construction & Materials		
	— 2.56% (2.20%)		
3,086,252	Melrose Industries	6,721,857	2.56
	Aerospace & Defense		
	— 4.63% (2.21%)		
2,770,000	Chemring Group	6,163,250	2.34
355,450	Ultra Electronics	6,017,769	2.29
		12,181,019	4.63
	General Industrials — 2.31% (2.27%)		
1,202,727	DS Smith	6,085,799	2.31
	Automobiles & Parts		
	— 0.00% (1.45%)		
	Food Producers — 1.19% (0.96%)		
500,000	Tate & Lyle	3,131,000	1.19
	Household Goods & Home Construction — 0.00% (1.67%)		
	Tobacco — 5.26% (5.44%)		
178,400	British American Tobacco	7,085,156	2.69
234,500	Imperial Brands	6,747,738	2.57
		13,832,894	5.26
	Health Care Equipment & Services		
	— 1.49% (1.91%)		
295,300	Smith & Nephew	3,906,819	1.49
	Pharmaceuticals & Biotechnology		
	— 2.42% (4.46%)		
47,500	AstraZeneca	2,670,450	1.01

Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	Pharmaceuticals & Biotechnology		
	— (cont.)		
1,115,000	Indivior	3,698,455	1.41
		<hr/>	<hr/>
		6,368,905	2.42
	Food & Drug Retailers		
	— 4.63% (1.52%)		
3,046,000	Tesco	7,834,312	2.98
1,692,000	Wm Morrison Supermarkets	4,346,748	1.65
		<hr/>	<hr/>
		12,181,060	4.63
	General Retailers — 6.24% (5.72%)		
2,010,000	Dixons Carphone	3,604,935	1.37
473,573	Inchcape	3,760,170	1.43
100,000	Next	5,978,000	2.27
2,471,699	Saga	3,059,963	1.17
		<hr/>	<hr/>
		16,403,068	6.24
	Media — 1.31% (2.03%)		
2,011,800	ITV	3,455,266	1.31
	Travel & Leisure — 4.20% (1.84%)		
178,000	Go-Ahead Group	2,746,540	1.04
586,000	Greene King	3,099,940	1.18
131,300	Whitbread	5,202,106	1.98
		<hr/>	<hr/>
		11,048,586	4.20
	Fixed Line Telecommunications		
	— 1.40% (2.32%)		
1,631,037	BT Group	3,669,833	1.40
	Mobile Telecommunications		
	— 2.69% (4.25%)		
3,953,000	Vodafone Group	7,062,430	2.69
	Banks — 9.61% (11.17%)		
3,853,000	Barclays	7,282,170	2.77
406,700	HSBC	2,979,484	1.13
17,440,500	Lloyds Banking Group	10,957,866	4.17
1,631,000	Royal Bank of Scotland Group	4,059,559	1.54
		<hr/>	<hr/>
		25,279,079	9.61
	Nonlife Insurance — 4.64% (3.50%)		
2,027,000	Direct Line Insurance Group	6,869,503	2.61
847,000	RSA Insurance Group	5,337,794	2.03
		<hr/>	<hr/>
		12,207,297	4.64
	Life Insurance — 6.65% (8.38%)		
1,698,200	Aviva	8,451,941	3.21
502,600	Prudential	9,034,235	3.44
		<hr/>	<hr/>
		17,486,176	6.65
	Real Estate Investment Trusts		
	— 1.39% (1.05%)		
397,781	Land Securities Group	3,666,347	1.39

Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	Financial Services — 5.53% (4.32%)		
844,105	Brewin Dolphin	2,856,452	1.08
737,285	IntegraFin	2,838,547	1.08
901,000	Jupiter Fund Management	3,998,638	1.52
1,727,000	TP ICAP	4,858,051	1.85
		<hr/>	
		14,551,688	5.53
	Software & Computer Services — 2.20% (2.38%)		
451,000	Micro Focus	5,779,565	2.20
	CAYMAN ISLANDS — 2.60% (2.58%)		
	Life Insurance — 2.60% (2.58%)		
1,013,266	Phoenix Group	6,849,678	2.60
	CHANNEL ISLANDS — 1.52% (2.11%)		
	Media — 1.52% (2.11%)		
333,000	WPP	3,994,335	1.52
	DENMARK — 0.00% (1.54%)		
	Pharmaceuticals & Biotechnology — 0.00% (1.54%)		
	ISLE OF MAN — 3.09% (3.29%)		
	Travel & Leisure — 3.09% (3.29%)		
730,000	GVC	8,117,600	3.09
		<hr/>	
	Portfolio of investments¹	262,202,838	99.70
	Net other assets	801,911	0.30
	Total net assets	<hr/>	
		£263,004,749	100.00%

¹ All investments are admitted to an official stock exchange unless otherwise stated.

Total purchases for the period: £65,720,197.

Total sales for the period: £69,964,125.

Financial Statements

Statement of Total Return for the period ended 24 July 2018

	24/07/18		24/07/17	
	£	£	£	£
Income				
Net capital (losses)/ gains		(7,977,326)		21,854,710
Revenue	6,902,450		10,010,200	
Expenses	(1,472,954)		(2,216,937)	
Interest payable and similar charges	(26)		(14,333)	
Net revenue before taxation	<u>5,429,470</u>		<u>7,778,930</u>	
Taxation	(8,845)		(111,798)	
Net revenue after taxation for the period		<u>5,420,625</u>		<u>7,667,132</u>
Total return before distributions		(2,556,701)		29,521,842
Distributions		(6,893,527)		(9,860,185)
Change in net assets attributable to Unitholders from investment activities		<u>£(9,450,228)</u>		<u>£19,661,657</u>

Statement of Change in Net Assets attributable to Unitholders for the period ended 24 July 2018

	24/07/18		24/07/17	
	£	£	£	£
Opening net assets attributable to Unitholders		275,447,832		401,784,193
Amounts received on issue of units	2,494,696		3,080,697	
Amounts paid on cancellation of units	(6,813,595)		(155,226,700)	
		(4,318,899)		(152,146,003)
Change in net assets attributable to Unitholders from investment activities		(9,450,228)		19,661,657
Retained distributions on accumulation units		1,273,171		2,624,577
Unclaimed distributions		52,873		—
Closing net assets attributable to Unitholders		<u>£263,004,749</u>		<u>£271,924,424</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 24 July 2018

	24/07/18 £	24/01/18 £
ASSETS		
Fixed assets:		
Investments	262,202,838	274,513,823
Current assets:		
Debtors	3,594,038	1,428,325
Cash and bank balances	1,621,338	2,979,996
Total assets	267,418,214	278,922,144
LIABILITIES		
Creditors:		
Bank overdrafts	(1,259,376)	–
Distributions payable	(2,585,581)	(1,493,041)
Other creditors	(568,508)	(1,981,271)
Total liabilities	(4,413,465)	(3,474,312)
Net assets attributable to Unitholders	£263,004,749	£275,447,832

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 Management 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 financial 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)
R-Class			
Distribution Units	140,828,051	231,159,844	60.92
Accumulation Units	44,820,458	54,268,138	82.59
F-Class			
Distribution Units	57,138	90,601	63.07
Accumulation Units	43,414	50,794	85.47
I-Class			
Distribution Units	4,593,671	7,084,091	64.84
Accumulation Units	4,880,648	5,551,878	87.91
C-Class [†]			
Distribution Units	1,015	2,000	50.75
Accumulation Units	1,038	2,000	51.90
L-Class			
Distribution Units	67,779,316	99,039,920	68.44

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

	24 Jul 18	24 Jan 18
R-Class	1.53%	1.75%
F-Class	1.03%	1.25%
I-Class	0.78%	0.87%
C-Class [†]	0.50%	–
L-Class	0.03%	0.12%

† C-Class Units launched on 28 February 2018.

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.

Fund Information continued

Distribution Information

R-Class

The distribution payable on 24 September 2018 is 0.7386p per unit for distribution units and 0.9854p per unit for accumulation units.

F-Class

The distribution payable on 24 September 2018 is 0.7646p per unit for distribution units and 1.0238p per unit for accumulation units.

I-Class

The distribution payable on 24 September 2018 is 0.7861p per unit for distribution units and 1.0530p per unit for accumulation units.

C-Class

The distribution payable on 24 September 2018 is 0.5770p per unit for distribution units and 0.5830p per unit for accumulation units.

L-Class

The distribution payable on 24 September 2018 is 0.8296p per unit for distribution units.

Risk and Reward Profile



- This risk and reward indicator 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 a representative benchmark 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.

General Information

Constitution

Launch date:	31 March 2011
Period end dates for distributions:	24 January, 24 April, 24 July, 24 October
Distribution dates:	24 March, 24 June, 24 September, 24 December
Minimum initial lump sum investment:	R-Class £100 F-Class* £500 I-Class £1,000,000 C-Class** £20,000,000 L-Class*** £100,000
Valuation point:	12 noon
Fund management fees:	R-Class Annual 1.53% F-Class* Annual 1.03% I-Class Annual 0.78% C-Class** Annual 0.50% L-Class*** Annual 0.03%
Initial charge:	R-Class Nil F-Class* Nil I-Class Nil C-Class** Nil L-Class*** Nil

* F-Class units are only available to:

- (i) investors who have received advice from authorised intermediaries, platforms or other distributors in relation to their investment in units in the Fund, and
- (ii) 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.

** C-Class units are only available to distributors who actively market and distribute such units (or whom the Manager believes intends to do so) and to whom the Manager has confirmed by letter that they meet the criteria for investment in such units.

*** L-Class is not available to retail customers and is intended only for investment by Legal & General group of companies.

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.

General Information continued

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.

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.

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.

General Information continued

Remuneration Disclosure

In accordance with the Undertakings for collective investment in transferable securities (UCITs) Directive, often referred to as the UCITs V Directive, the Legal & General UK Equity Income Fund, as a UCITs Scheme, is required to disclose the aggregate remuneration paid by the UCITs Manager and by the UCITs Scheme to Identified Staff, together with the number of beneficiaries, and, where relevant, performance fees paid by the UCITs Scheme. The aggregate amount of remuneration must be broken down by category of employees or other staff members and be split into fixed and variable remuneration.

The following provides information on the remuneration of persons whose professional activities have a material impact on the management company and the funds managed by it as at 31 December 2017:

Controlled Functions

Headcount	Fixed Remuneration (£'000)	Variable Remuneration (£'000)	Remuneration related to this Scheme (Pro-rated) (£'000)
32	6,726	11,997	110

Material Risk Takers

Headcount	Fixed Remuneration (£,000)	Variable Remuneration (£'000)	Remuneration related to this Fund (Pro-rated) (£'000)
17	2,188	3,163	210

Controlled Functions

As at 31 December 2017, Legal & General Unit Trust Managers Limited (UTM) engaged the services of six employees of Legal & General Investment Management (Holdings) Limited (LGIMH), plus a further two employees of Legal & General Resources (LGR) to act as Directors. In addition there was one non-executive Director. UTM also engaged the services of a further 20 LGIMH employees and a further three L&G Resources (LGR) employees to act in a variety of Controlled Functions, including Chief Compliance Officer, Money Laundering Reporting Officer, Client Asset Oversight, Systems and Controls Functions, Significant Management Functions and Customer Functions. These employees were also engaged by other companies in the L&G Group. The aggregate remuneration received by these individuals, for all their services across the L&G Group, is disclosed in the table above. We have pro-rated the remuneration figures by the Net Asset Value of the UCITS Funds as a percentage of the total assets under management of UTM.

Material Risk Takers

As at 31 December 2017, UTM engaged the services of Legal & General Investment Management's Active Equities Fund Management team, which consists of 17 investment professionals located in our London Office. The team includes a variety of Fund Managers, Analysts and Support Staff, with the Fund Managers empowered to take discretionary investment management decisions on behalf of the Fund. The team is also engaged in managing other Legal & General UTM Funds/Schemes and is also engaged by other companies in the L&G Group. The aggregate remuneration received by the members of the team, for all their services across the L&G Group, is disclosed in the table above. We have pro-rated the remuneration figures by the Net Asset Value of the UCITS Funds as a percentage of the total assets under management of the Legal & General Investment Management's Index Fund Management team.

General Information continued

Significant Changes

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 UK Equity Income 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.

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

Directors of the Manager

R. M. Bartley
A. J. C. Craven
S. Hynes
H. Morrissey
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 PLC
Trustee and Depository 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

Investment Adviser

Legal & General Investment Management Limited
One Coleman Street,
London EC2R 5AA
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

