

Legal & General UK Property Fund
(a Sub-fund of Legal & General Investment
Funds ICVC)

**Interim Authorised
Corporate Director's
Short Report
for the period ended
28 May 2017**

**EVERY
DAY
MATTERS.®**



Investment Objective and Policy

The Sub-fund will be a Property Authorised Investment Fund (PAIF) at all times, and, as such, its investment objective is to carry on Property Investment Business and to manage cash raised from investors for investment in the Property Investment Business. In so doing, the objective of the Sub-fund is to achieve income and capital growth through investing generally in commercial property.

The investment policy is to invest a minimum of 60% of its assets in commercial property. The Sub-fund will aim to diversify risk by seeking exposure across a range of sectors of the UK commercial property market (including but not limited to retail, offices, industrial, leisure and healthcare). The Sub-fund may, from time to time, seek diversification by investing in the Isle of Man and the Channel Islands but predominantly properties will be situated in the United Kingdom.

The intention of the ACD is to invest at least 80% of the Sub-fund's assets directly in property but it may reduce this level (to no lower than 60% in commercial property) from time to time if it believes it is in the interest of maintaining scheme liquidity and performance.

The Sub-fund may invest to a lesser extent in residential properties, and may develop properties with the intention of enhancing their capital value and/or income return. The Sub-fund may also invest in other property-related assets (including property-related UK transferable securities and UK property-related collective investment schemes), in money-market instruments, deposits, money-market-related collective investment schemes and government and public securities.

The Sub-fund may use derivatives only for the purpose of efficient portfolio management.

Risk Profile

Market Risk

Market Liquidity Risk

All property investments are relatively illiquid compared to bonds and equities. Liquidity is a function both of the time to effect a sale and the extent to which it is possible to trade at the market price. Property is slow to transact in normal market conditions and hence is illiquid. In poor market conditions it will take even longer to find a buyer to pay an acceptable price.

Market Valuation Risk

The value of a property, except where it is bought or sold, is generally a matter of a valuer's opinion rather than fact and may go down as well as up. The simplest yardstick of property valuation is initial yield, which is current annual rent divided by the value of the property, including purchase costs. Property yields will fluctuate through time and may reflect the general economic cycle.

At any time, the market value of a property will, broadly, reflect market expectations for rental growth. If an investment is made in the expectation that a certain level of rental growth will be achieved and that growth fails to materialise, then the returns from holding that property are likely to be lower than anticipated. Rental growth is affected by many things: general economic conditions, local trading conditions, relative scarcity of alternative space and so on.

Interest Rate Risk

Interest rate risk is the risk of movements in the value of financial instruments as a result of fluctuations in interest rates. The Sub-fund's only interest bearing financial instruments were its bank balances, money out on deposit and overdraft facilities. Cash is deposited, and overdraft facilities utilised, on normal commercial terms and earn or bear interest based on London Interbank Offered Rate (LIBOR) or its overseas equivalent.

Fund Facts

Period End Dates for Distributions:	28 Feb, May, Aug and Nov	
Distribution Dates:	28 Apr, Jul, Oct and Jan	
Ongoing Charges Figures*:	28 May 17	28 Nov 16
R-Class	1.81%	1.85%
F-Class	1.31%	1.35%
I-Class	1.06%	1.09%
C-Class	0.94%	0.99%
L-Class	0.34%	0.40%
Feeder	0.31%	0.37%
Fund Expense Ratios**:	28 May 17	28 Nov 16
R-Class	1.50%	1.48%
F-Class	1.00%	0.98%
I-Class	0.75%	0.72%
C-Class	0.63%	0.62%
L-Class	0.03%	0.03%
Feeder	0.00%	0.00%
Property Expense Ratios***:	28 May 17	28 Nov 16
R-Class	0.31%	0.37%
F-Class	0.31%	0.37%
I-Class	0.31%	0.37%
C-Class	0.31%	0.37%
L-Class	0.31%	0.37%
Feeder	0.31%	0.37%

* The Ongoing Charges Figure (OCF) is the sum of the Fund Expense Ratio (FER) and Property Expense Ratio (PER).

** The FER shows the ratio of operating costs that relate to the management of the Sub-fund to the average net assets of the Sub-fund.

*** The PER shows the ratio of operating costs that relate to the management of the property assets to the average net assets of the Sub-fund.

The OCF is the ratio of the Sub-fund's total discloseable costs (excluding overdraft interest) to the average net assets of the Sub-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.

Distribution Information

R-Class

The distribution payable on 28 July 2017 is 0.2335p per share for distribution shares (consisting of 0.1989p property distribution, net of 20% tax, 0.0047p interest distribution plus 0.0299p dividend distribution) and 0.3226p per share for accumulation shares (consisting of 0.2748p property distribution, net of 20% tax, 0.0065p interest distribution plus 0.0413p dividend distribution).

F-Class

The distribution payable on 28 July 2017 is 0.2952p per share for distribution shares (consisting of 0.2515p property distribution, net of 20% tax, 0.0059p interest distribution plus 0.0378p dividend distribution) and 0.4138p per share for accumulation shares (consisting of 0.3525p property distribution, net of 20% tax, 0.0083p interest distribution plus 0.0530p dividend distribution).

I-Class

The distribution payable on 28 July 2017 is 0.3225p per share for distribution shares (consisting of 0.2747p property distribution, net of 20% tax, 0.0065p interest distribution plus 0.0413p dividend distribution) and 0.4759p per share for accumulation shares (consisting of 0.4053p property distribution, net of 20% tax, 0.0096p interest distribution plus 0.0610p dividend distribution).

C-Class

The distribution payable on 28 July 2017 is 0.3476p per share for distribution shares (consisting of 0.2961p property distribution, net of 20% tax, 0.0070p interest distribution plus 0.0445p dividend distribution) and 0.5141p per share for accumulation shares (consisting of 0.4379p property distribution, net of 20% tax, 0.0103p interest distribution plus 0.0659p dividend distribution).

L-Class

The distribution payable on 28 July 2017 is 0.3972p per share for distribution shares (consisting of 0.3383p property distribution, net of 20% tax, 0.0080p interest distribution plus 0.0509p dividend distribution).

Feeder

The distribution payable on 28 July 2017 is 0.4902p per share for distribution shares (consisting of 0.4175p property distribution, 0.0099p interest distribution plus 0.0628p dividend distribution) and 0.6723p per share for accumulation shares (consisting of 0.5726p property distribution, 0.0135p interest distribution plus 0.0862p dividend distribution).

Net Asset Values and Units in Issue

Class	Net Asset Value (£)	Units in Issue	Net Asset Value per Unit (p)
R-Class			
Distribution Units	5,302,348	10,515,049	50.43
Accumulation Units	71,202,862	101,730,657	69.99
F-Class			
Distribution Units	528,964	1,006,916	52.53
Accumulation Units	1,488,152	2,002,548	74.31
I-Class			
Distribution Units	189,897,810	358,293,976	53.00
Accumulation Units	290,131,225	369,026,426	78.62
C-Class			
Distribution Units	60,226,220	109,335,284	55.08
Accumulation Units	186,676,792	228,094,245	81.84
L-Class			
Distribution Units	77,483,706	146,135,683	53.02
Feeder			
Distribution Units	687,783,099	1,330,348,717	51.70
Accumulation Units	1,072,968,991	1,349,237,972	79.52

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.

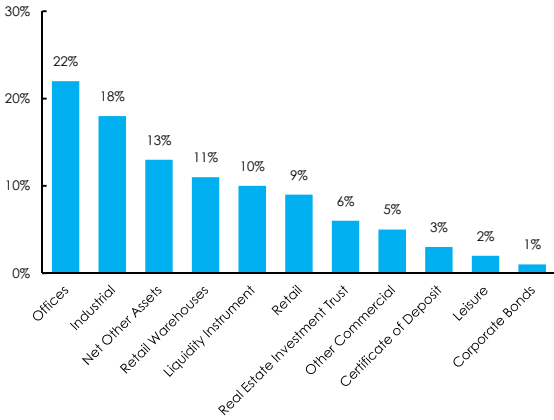
Portfolio Information

The top 10 holdings at the current period end and preceding year end were:

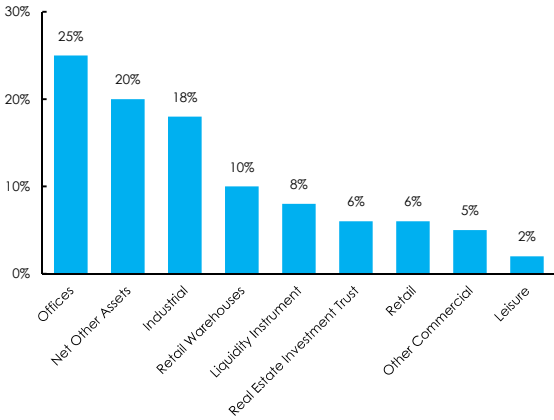
Top 10 Holdings at 28 May 2017	
Holding	Sector
LGIM Sterling Liquidity Fund	Liquidity Instrument
Fradley Park, Lichfield	Industrial
Birstall Shopping Park, Leeds	Warehouse
15 Bonhill Street London	Offices
1 Colmore Square, Birmingham	Offices
Follingsby Park, Gateshead	Industrial
JVC Kenwood Unit, Staple Corner, London	Warehouse
Credit Agricole Bank 0.21% 01/06/2017	Certificate of Deposit
Units 214, 216, 220, 230, 240 Cambridge Science Park, Cambridge	Offices
St James Retail Park, Dumbarton	Warehouse

Top 10 Holdings at 28 November 2016	
Holding	Sector
LGIM Sterling Liquidity Fund	Liquidity Instrument
Fradley Park, Lichfield	Industrial
Birstall Shopping Park, Leeds	Warehouse
1 Colmore Square, Birmingham	Offices
15 Bonhill Street London	Offices
Follingsby Park, Gateshead	Industrial
Units 214, 216, 220, 230, 240 Cambridge Science Park, Cambridge	Offices
St James Retail Park, Dumbarton	Warehouse
55 Strand, London	Offices
Argos National Distribution Centre, Stratford	Industrial

Fund Holdings as at 28 May 2017



Fund Holdings as at 28 November 2016



Authorised Corporate Director's Investment Report

During the period under review, the bid price of the Sub-fund's R-Class accumulation shares rose by 4.78%.

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

Since November 2016, the performance from commercial property in the UK has remained positive and stable following a period of high volatility during the summer of 2016.

Momentum in most occupier markets has been positive, although has become more sluggish following the result of the European Referendum last summer and the General Election. Broadly, these events have caused businesses to delay decision-making and major expansion plans with a notable slowing in rental growth. The exception to this has been the industrial sector which continues to demonstrate strong levels of growth compared to offices and retail properties.

Turning to the investment market, in December 2016 capital growth was strong at 0.8%, but this reduced in early 2017 to between 0.2% and 0.5% per month (IPD Monthly Index).

The strength of the investment markets has largely mirrored that of the occupational markets, with appetite for industrial assets remaining very strong and resulting in the highest levels of capital growth of the three main sectors. Capital growth for industrial property was 1.5% in December compared to offices at 0.9% and retail at 0.3% (IPD Monthly Index). Since then, industrial property has consistently outperformed on a monthly basis.

Whilst positive and stable returns have been delivered by the market since the end of November, the investment market has experienced a much lower level of transactional activity than in previous years. The UKIP report by Lambert Smith Hampton reported Q1 transaction volumes of £12.2 billion, which was 6% below the 5 year average, but this was also flattered by several very large Central London office transactions. Transaction volumes by number of deals showed a quarterly reduction of 20%.

Fund Review

Following significant volatility in the summer of 2016, investor flows to the Sub-fund have been positive and stable with a net flow of £132.4 million. During this time, the Sub-Fund has been actively reshaping the property portfolio with a number of sales and acquisitions.

Sales from the Sub-fund include the Nexus portfolio which comprised 16 smaller and more secondary assets across the UK. The portfolio was sold for £120 million and completed in December 2016.

Authorised Corporate Director's Investment Report continued

The Sub-fund reinvested capital into the Alexis portfolio, which by contrast comprises retail assets let for the long term in strong locations. 6 assets have been introduced to the Sub-fund including supermarkets in Guildford, Lichfield, Otley and Clitheroe, as well as Debenhams department store in Edinburgh and The Range in Hereford. These assets were acquired for £74.1 million with a further store in Woodley reaching an exchange of contracts.

The Sub-fund also acquired the JVC distribution complex on Priestly Way in North London. The property is leased to JVC until 2025 and was acquired for £51.85 million and provides a Net Initial Yield of 6.15%.

Two smaller acquisitions have also been completed. Further industrial exposure has been generated by buying MXL Centre in Banbury for £12.88 million, and a restaurant unit let to Toni Macaroni adjoining the Sub-fund's existing leisure park asset in Dunfermline has been acquired for £1.583 million.

Despite the volume of acquisitions, the Sub-fund's cash position remains at an elevated level and the short term focus for the Sub-fund will be on sourcing further acquisitions and a continued delivery of asset management success on the portfolios existing assets.

Outlook

Following a recovery in the second half of 2016, momentum has now reduced and prospects remain uncertain, particularly following the result of the 2017 General Election.

Occupiers and investors will need time to build confidence in making significant decisions.

Pricing for the sector remains in balance with other sectors and the yield from property is still regarded as attractive relative to other asset classes.

Legal & General Investment Management Limited
(Investment Adviser)
16 June 2017

ACD's Report and Accounts

Copies of the most recent Interim and Annual Long Form ACD's Reports are available free of charge by telephoning 0370 050 0955, by writing to the ACD 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.

Creation/Cancellation Settlement

The ACD provides a net creation or cancellation decision and settlement with the Depositary, dependent on the inflows or outflows from Shareholders. This netting generates a revenue for the ACD, which is returned to the Sub-fund. This provides an enhanced return to the Sub-fund, though the size of any return is dependant on the size of inflows and outflows from Shareholders.

Minimum Investment Amounts

The minimum initial lump sum investment amounts for each class are as follows:

R-Class	£500
F-Class*	£500
I-Class	£1,000,000
C-Class**	£100,000,000
L-Class***	£500,000
Feeder	N/A

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

*F-Class shares are only available to:

- i) investors who have received advice from authorised intermediaries and platforms in relation to their investment in shares in the Sub-fund and
- ii) authorised intermediaries or distributors who the ACD reasonably considers will adequately bear the costs of marketing to and acquiring investors at no or limited cost to the ACD, and to whom the ACD has confirmed that such distributor or investor meets the criteria for investment in such shares.

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

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

Other Information

The information in this report is designed to enable shareholders to understand how the Sub-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 Sub-fund can be obtained by telephoning 0370 050 0955 or by writing to the ACD.

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

Significant Changes

Change in Depositary

With effect from 28 February 2017, National Westminster Bank Plc ceased to be the Depositary of this Company and Northern Trust Global Services Limited has been appointed to provide Depositary services thereafter.

As Depositary, Northern Trust Global Services Limited has the same duties and responsibilities as National Westminster Bank Plc. The change of Depositary has no impact on the way the Company is operated.

Gross Distribution Payments

We'd like to make you aware of an HM Revenue & Customs ruling which became effective from 6 April 2017. Where interest distributions were previously paid net, we are required to start paying all interest distributions on a gross basis, starting with the April 2017 distribution payment. Prior to 6 April 2017, interest distributions were paid to clients after the deduction of 20% income tax, unless the client has completed a gross declaration form. From 6 April 2017, we will not deduct tax on any interest distributions and all payments will be made gross. Please note, this does not apply to the Property Income Distribution element of the distribution payment, which will continue to have 20% Income Tax deducted at source.

It will become your responsibility to make any declarations to HM Revenue & Customs. If you are in any doubt as to your taxation position, please consult a professional adviser.

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 Initial Commission

With effect from 6 June 2017, initial commission will no longer be paid on the Sub-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.

Management Structure of the Legal & General UK Property Share Company

Michael Barrie

Michael Barrie is the Director of Fund Management and Co-Fund Manager of the L&G UK Property Fund.

Michael joined Legal & General as Director in November 2005, having previously been a Director with Foreign & Colonial Property Asset Management. Michael is a member of the Royal Institution of Chartered Surveyors and has a post-graduate Diploma in Property Investment from Reading University.

Matt Jarvis

Matt Jarvis is the Co-Fund Manager for the L&G UK Property Fund. Matt joined Legal & General Property as Asset Manager in November 2004 and is currently responsible for the UK Property Fund, having previously been a Commercial Valuer with Jones Lang LaSalle, and was nominated and shortlisted for YN Property Professional of the Year 2014. Matt holds a degree in Land Management from Reading University, a Diploma in Property Investment from Cambridge University and is a member of the Royal Institution of Chartered Surveyors.

Association of Real Estate Funds

The Company aims to comply with the Association of Real Estate Funds (AREF) Code of Practice, which is a voluntary Code whose aim is to encourage members of AREF to adopt best practice wherever possible.

The Code is publicly available and published on the Association's website: www.aref.org.uk.

Authorised Corporate Director

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

Depositary to 28 February 2017

National Westminster Bank Plc

Trustee and Depositary Services

135 Bishopsgate

London EC2M 3UR

Authorised by the Prudential Regulation Authority and regulated

by the Financial Conduct Authority and the Prudential

Regulation Authority

Depositary from 1 March 2017

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

Independent Auditors

PricewaterhouseCoopers LLP

7 More London Riverside

London SE1 2RT

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

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(Unit Trust Managers) Limited
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