

Legal & General UK Special Situations Trust
**Interim Manager's
Short Report
for the period ended
14 March 2019**



Investment Objective and Policy

The investment objective of this Trust is to maximise capital growth by investing predominantly in a portfolio of UK companies. Securities of companies considered undervalued due to their special situation, such as recovery action, management change, refinancing activity or undervalued strategic assets, will be chosen.

The Trust may hold derivatives for the purposes of Efficient Portfolio Management.

Risk Profile

Market Risk

Market risk arises mainly from uncertainty about future prices. It represents the potential loss the trust 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.

Trust Facts

Period End Dates for Distributions:	14 Mar, 14 Sep	
Distribution Dates:	14 May, 14 Nov	
Ongoing Charges Figures:	14 Mar 19	14 Sep 18
R-Class	1.54%	1.63%
F-Class	1.04%	1.13%
I-Class	0.79%	0.84%
C-Class	0.50%	0.50%
L-Class	0.04%	0.09%

The Ongoing Charges Figure (OCF) is the ratio of the Trust's total disclosable costs (excluding overdraft interest) to the average net assets of the Trust.

The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a trust and is calculated based on the last period's figures.

Risk and Reward Profile



- The Risk and Reward Indicator table demonstrates where the Trust ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is not guaranteed to remain the same and may change over time. It is based on historical data and may not be a reliable indication of the future risk profile of the Trust. The shaded area in the table above shows the Trust's ranking on the Risk and Reward Indicator.
- The Trust 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.
- Even a trust in the lowest category is not a risk free investment.

Distribution Information

R-Class

The distribution payable on 14 May 2019 is 0.5465p per unit for distribution units and 0.5823p per unit for accumulation units.

F-Class

The distribution payable on 14 May 2019 is 0.8023p per unit for distribution units and 0.8788p per unit for accumulation units.

I-Class

The distribution payable on 14 May 2019 is 0.9199p per unit for distribution units and 1.0617p per unit for accumulation units.

C-Class

The distribution payable on 14 May 2019 is 0.4750p per unit for distribution units and 0.4827p per unit for accumulation units.

L-Class

The distribution payable on 14 May 2019 is 1.2904p per unit for distribution units.

Net Asset Values and Units in Issue

Class	Net Asset Value (£)	Units in Issue	Net Asset Value per Unit (p)
R-Class			
Distribution Units	52,610,827	53,071,045	99.13
Accumulation Units	12,740,764	11,990,942	106.25
F-Class			
Distribution Units	65,643	65,354	100.44
Accumulation Units	66,185	59,677	110.91
I-Class			
Distribution Units	3,262,857	3,272,989	99.69
Accumulation Units	5,929,693	5,105,707	116.14
C-Class			
Distribution Units	893	2,000	44.65
Accumulation Units	61,666,255	134,455,911	45.86
L-Class			
Distribution Units	105,350,168	105,744,953	99.63

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.

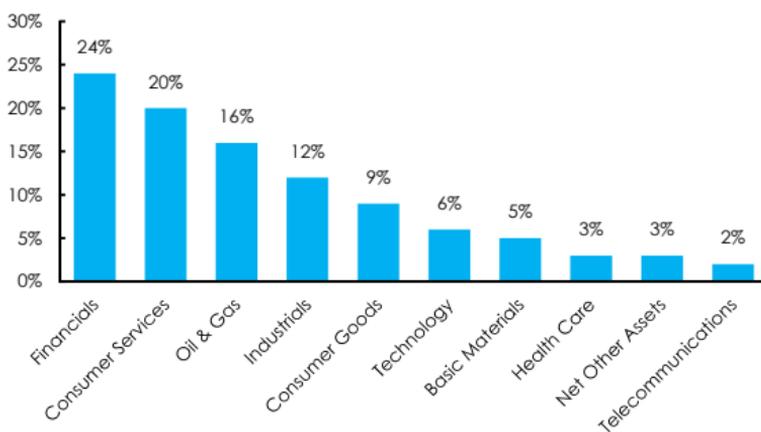
Exchange rate changes may cause the value of any overseas investments to rise or fall.

Portfolio Information

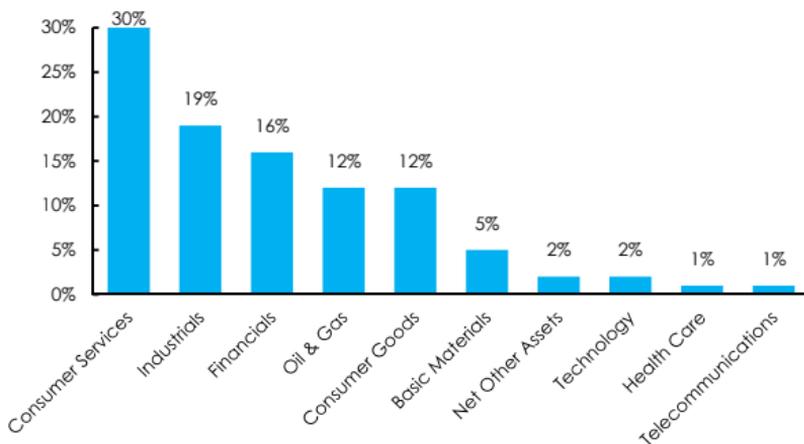
The top 10 holdings and their associated weighting at the current period end and preceding year end were:

Top 10 Holdings at 14 March 2019		Top 10 Holdings at 14 September 2018	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
BP	5.83%	Prudential	4.65%
Energiean Oil & Gas	4.72%	GVC	4.59%
Melrose Industries	3.92%	Energiean Oil & Gas	4.29%
Prudential	3.70%	Urban & Civic	4.28%
DS Smith	3.62%	DCC	4.05%
Carnival	3.59%	Melrose Industries	3.93%
Tesco	3.50%	Wizz Air	3.89%
Taylor Wimpey	3.50%	Ultra Electronics	3.74%
Glencore	3.41%	Carnival	3.74%
Royal Bank of Scotland Group	3.26%	British American Tobacco	3.54%

Trust Holdings as at 14 March 2019



Trust Holdings as at 14 September 2018



Manager's Investment Report

During the period under review, the Trust's R-Class distribution units fell by 7.31%, while the FTSE All-Share Index fell by 2.39% on a capital only basis (Source: Bloomberg).

Market/Economic Review

Global equity indices have performed poorly over the last six months. Markets became increasingly volatile as 2018 ended, recording heavy losses before regaining some lost ground in January and February. Concerns that the Federal Reserve was raising US interest rates too quickly, the risk of a prolonged government shutdown in the US, the ongoing US-China trade dispute and weaker global economic indicators all combined to trigger widespread risk aversion amongst investors. The healthcare sector outperformed, boosted by robust earnings growth. As global economic prospects became more uncertain, technology stocks struggled while the energy sector underperformed as the oil price fell back to a 15-month low in December.

UK equities lost ground as uncertainty surrounding the outcome of Brexit negotiations preoccupied investors. The negative reception by Parliament to Prime Minister May's Brexit deal raised the perceived risk of either an election or a 'no deal' Brexit, both considered undesirable outcomes due to the potential negative impact on UK business prospects. At the sector level, it was a disappointing period for retailers, as the high street remains the one consistent area of decline in the UK economy, which grew at its slowest pace in over six years during the final quarter of 2018. The pharmaceutical sector continues to be a focal point for merger and acquisition activity, with GlaxoSmithKline unveiling a plan to split its business into two, while Japanese pharmaceutical firm Takeda acquired Shire.

Trust Review

Against a difficult market backdrop, the Trust delivered a negative return over the period. During the wider sell-off, both stock and sector allocation detracted from performance as smaller companies underperformed.

Cairn Energy initially detracted from performance but contributed towards the end of the period. The company reported an operational update, which showcased good returns at its Catcher and Kraken fields. The balance sheet also ended the year in robust shape. In respect of forthcoming exploration activity, the company have a number of wells planned to be drilled across its portfolio.

Royal Bank of Scotland Group provided a positive surprise with a capital return and common equity tier ratio (CET1) target that was well ahead of expectations. While there may have been some operational disappointments in the Q4 results, there were also a number of supportive shareholder messages, including the revenue outlook. We believe Royal Bank of Scotland Group will benefit from an improvement in the UK backdrop and should find opportunities for returns on equity to improve.

Manager's Investment Report continued

Gym Group shares have been under pressure since January's pre-close trading update, with some concerns over the level of price cuts needed to stimulate new membership or renewal growth. This comes amid broader worries over market saturation and potential signs for the beginning of oversupply of low-cost gym operators.

On activity, portfolio repositioning nears completion following fund manager change in December 2018. New additions to the portfolio include Hunting, Ferguson and St. James's Place. In terms of sales, we exited our positions in IQE, DCC, Wizz Air, CRH and Whitbread.

In Oil Equipment & Services, Hunting is a manufacturer of products used in more complex wells (deep water exploration). The company looks well positioned to benefit from improvement in the outlook for industry capital expenditure, whilst also having a strong balance sheet and cash generation. Further, this attractive oilfield services end market should be exposed to structural growth and see a consolidated supply side where innovation, rather than just capital, forms a barrier to entry.

For St. James's Place, following a dramatic de-rating, we believe investors fail to give merit to the company's strong net organic, profit and dividend growth. They also have ample surplus capital. Meanwhile, Ferguson remains a strong play on the US housing and repair, maintenance and improvement market. This is a genuine compounding growth story, with strong operating metrics and a well-regarded management team.

Outlook

Looking ahead, the biggest risk is that markets could well bring about a self-fulfilling prophecy. Growing fears over the downside of fiscal stimulus, end of cycle worries and the potential for a US recession are exacerbated by potential political mistakes that threaten to depress business investment further. Yet, while we acknowledge a slowdown in economic growth, we feel there is some clear value in equities. In this context, we remain optimistic that a less negative narrative can unfold and boost markets as we move through 2019.

Legal & General Investment Management Limited

(Investment Adviser)

6 April 2019

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 Trust.

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 Trust in the form of a payment from the Manager. This provides an enhanced return to the Trust, though 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	£100
F-Class	£500
I-Class	£1,000,000
C-Class	£20,000,000
L-Class	£100,000

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 Trust; 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 available to certain eligible investors who meet the criteria for investment in such units as outlined in the share class policy of the Manager, which is available to investors in the C-Class upon request. Where investors in the C-Class no longer continue to meet the criteria for investment in such units, further investment in such units may not be permitted.

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

Other Information

The information in this report is designed to enable unitholders to understand how the Trust 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 Trust can be obtained by telephoning 0370 050 0955 or by writing to the Manager.

Significant Change

New Unit Class: L-Class Accumulation

With effect from 25 April 2019, L-Class Accumulation units have launched. As such, Distribution and Accumulation units are now available within the L-Class.

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

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Authorised by the Prudential Regulation Authority and regulated

by the Financial Conduct Authority and the Prudential

Regulation Authority

Independent Auditors

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London E14 5GL

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Financial Conduct Authority**

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