

Legal & General UK Smaller Companies Trust

**Interim Manager's Report
for the period ended
15 December 2017
(Unaudited)**

**EVERY
DAY
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Manager's Investment Report

Investment Objective and Policy

The investment objective of this Trust is to maximise capital growth from a portfolio of UK securities, which will largely consist of smaller companies, and which may be selected from all economic sectors.

The Manager's policy for putting this into effect will be to invest primarily in those companies that comprise the lowest 10% by capitalisation of the main UK equity markets.

Manager's Investment Report

During the period under review, the bid price of the Trust's R-Class accumulation units rose by 6.00%. This compares to a rise in the Numis Securities Smaller Companies Ex Investment Trust Index of 3.47% on a total return 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

Global equity markets have made further gains in the review period, reflecting a steady improvement in economic indicators and growing optimism among investors for earnings prospects over the second half of 2017. However, there has been a cooling of the so-called reflation trade that dominated markets in the latter half of 2016 when commodity-related sectors and financials performed relatively well. Instead, investors have favoured technology stocks in anticipation of an upturn in the semiconductor industry, while earnings announcements from the major technology companies, particularly in the US, have also been encouraging. In contrast, utilities and telecommunications, both sectors more sensitive to bond markets, have underperformed. Returns from UK equities have been disappointing. Political uncertainty has weighed on confidence in the UK economic outlook, with the general election in June resulting in a hung parliament, and Brexit negotiations have seen little progress. In the latest Autumn Budget, official forecasts for UK economic growth were downgraded both for this year and over the next two years. Japanese and smaller Asian markets were strongest in Sterling terms.

In Japan, investors reacted favourably to a resounding victory for incumbent Prime Minister Shinzo Abe in the general election, which was viewed as heralding further economic reforms. Asian equity markets were boosted by improving Chinese economic indicators, as the authorities prioritised currency stabilisation and strengthening the domestic economy. In Europe, corporate results have highlighted improving earnings momentum, while indicators suggest regional economic activity is accelerating with economic confidence in the Eurozone recording its highest level for more than a decade. In the US, an improving economic background and the passing of the Republican tax plan have underpinned share prices. More broadly, emerging markets have outperformed the World Index as concerns over the risk of a protectionist approach to US trade policy have abated in recent months.

Trust Review

Equity markets continued to gain ground over the review period despite a minor decline in November as the US tax reform push faced brief uncertainty. During this period the Trust's performance delivered a positive return. Our overweight allocation to select industrial stocks helped boost performance over the first half of the period but unfortunately proved to be a drag on returns towards the end of 2017. The Organisation of Petroleum Exporting Countries agreement to extend production cuts

Manager's Investment Report continued

helped put a floor under the oil price and therefore our underweight positioning in the energy sector and oil-exposed companies also weighed on performance.

Wizz Air contributed to performance across the review period. Wizz announced an agreement with Airbus for a combined order of 146 new aircraft. This follows the recent acquisition of vacated Monarch landing slots at Luton airport. Following a difficult start to the review period, Safestore Holdings gained in the final quarter of 2017 following the announcement that the company was acquiring Stork Self Storage Holding for £56 million. The acquisition expands Safestore's portfolio to 146 stores, consolidating its position as the UK's largest provider to extend their reach.

In terms of trading activity during the review period, we added billing software company Boku, as part of a successful IPO in November 2017. Boku provides a mobile payment platform, enabling the global community of five billion mobile users to pay for goods and services via their mobile phones, with purchases linked to their phone bills. With the explosion of premium mobile content such as music streaming, and the rise of the app store, merchants such as Apple and Spotify are turning to Boku as the primary provider to extend their reach.

We reduced our position in Ted Baker, which has been a long-term strong performer. While we continue to like the brand and are impressed by the improving trend in online, we are concerned about the long-term outlook for store sales growth, particularly new space. There is also potential for gross margin dilution, given the discount environment, in which Ted Baker has been forced to become more actively involved in outside of traditional key seasonal shifts in inventory.

Outlook

While there is limited visibility of the path to Brexit and clear risks to the UK economy, UK equities should not be ignored. As general appetite for UK equities has languished over the past 18 months, we are more positive about the road ahead. Sterling has rallied in recent months as the risk of a Brexit 'no deal' has diminished, and while sector valuation dispersion clearly exists, it does not prohibit us from finding interesting opportunities.

Overall, we believe global growth continues to be robust and broad-based. This is driven by a period of synchronised growth and an increase in industrial activity and corporate investment: three features that bode well for further improvement in earnings and corporate profitability.

Legal & General Investment Management Limited
(Investment Adviser)
10 January 2018

Authorised Status

Authorised Status

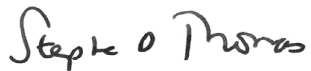
This Trust is an Authorised Unit Trust Scheme as defined in section 243 of the Financial Services and Markets Act 2000 and is a UCITS Retail Scheme within the meaning of the FCA Collective Investment Schemes sourcebook.

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
5 February 2018

Portfolio Statement

Portfolio Statement as at 15 December 2017

All investments are in ordinary shares unless otherwise stated. The percentages in brackets show the equivalent holdings at 18 June 2017.

Holding/ Nominal Value	Investment	Market value £	% of Net Assets
	UNITED KINGDOM		
	— 88.22% (91.51%)		
	Oil & Gas Producers		
	— 2.47% (2.62%)		
20,119,684	Amerisur Resources ¹	3,319,748	0.97
5,409,451	Faroe Petroleum ¹	5,111,931	1.50
		8,431,679	2.47
	Chemicals — 3.05% (2.17%)		
291,427	Victrex	7,612,073	2.23
614,289	Zotefoams	2,796,551	0.82
		10,408,624	3.05
	Construction & Materials		
	— 3.05% (2.98%)		
820,189	Keller Group	7,951,733	2.33
235,633	Kier Group	2,478,859	0.72
		10,430,592	3.05
	Aerospace & Defense		
	— 3.35% (3.62%)		
2,945,911	Senior	7,385,399	2.16
321,465	Ultra Electronics	4,056,888	1.19
		11,442,287	3.35
	Electronic & Electrical Equipment		
	— 3.42% (1.59%)		
1,900,445	DiscoverIE Group	6,846,353	2.01
950,000	Luceco	1,235,000	0.36
928,371	Xaar	3,578,870	1.05
		11,660,223	3.42
	Industrial Engineering		
	— 3.85% (4.03%)		
709,904	Flowtech Fluidpower ¹	1,185,540	0.35
519,053	Hill & Smith	6,882,643	2.02
6,758,288	Severfield	5,068,716	1.48
		13,136,899	3.85
	Industrial Transportation		
	— 1.22% (2.75%)		
145,500	Clarkson	4,158,390	1.22
	Support Services — 10.40% (12.18%)		
1,000,000	Alpha Financial Markets Consulting ¹	1,650,000	0.48
1,929,139	Charles Taylor	5,237,612	1.54
1,118,800	Clipper Logistics	4,645,817	1.36
1,214,285	Equiniti Group	3,520,212	1.03
144,000	Keywords Studios ¹	2,116,800	0.62
6,365,505	Lakehouse ¹	2,291,582	0.67
948,863	Mears Group	3,548,748	1.04

Portfolio Statement continued

Holding/ Nominal Value	Investment	Market value £	% of Net Assets
	Support Services — (cont.)		
1,753,721	Northgate	6,988,578	2.05
525,641	Staffline Group ¹	5,498,205	1.61
		<hr/>	<hr/>
		35,497,554	10.40
	Automobiles & Parts — 0.10% (0.09%)		
480,000	Transense Technologies ¹	336,000	0.10
	Food Producers — 2.97% (3.06%)		
316,515	Cranswick	10,128,480	2.97
	Household Goods & Home Construction — 4.97% (5.23%)		
1,365,701	Crest Nicholson	7,128,960	2.09
909,282	Headlam Group	4,814,648	1.41
800,000	Redrow	5,020,000	1.47
		<hr/>	<hr/>
		16,963,608	4.97
	Personal Goods — 1.21% (1.70%)		
163,582	Ted Baker	4,115,723	1.21
	Health Care Equipment & Services — 4.78% (4.67%)		
2,190,873	Advanced Medical Solutions Group ¹	7,054,611	2.06
1,143,160	Cambian Group	1,903,361	0.56
491,513	Consort Medical	5,450,879	1.60
5,268,434	Deltex Medical Group ¹	105,369	0.03
859,259	Medica Group	1,804,444	0.53
169,400	Sphere Medical (Warrants) ¹	—	—
		<hr/>	<hr/>
		16,318,664	4.78
	Pharmaceuticals & Biotechnology — 7.03% (7.03%)		
35,645	Clinigen Group ¹	368,213	0.11
435,844	Dechra Pharmaceuticals	8,651,503	2.53
344,613	Genus	8,301,727	2.43
302,672	Horizon Discovery Group ¹	726,413	0.21
4,705,875	Vectura Group	5,110,580	1.50
9,805,933	Vernalis ¹	844,291	0.25
		<hr/>	<hr/>
		24,002,727	7.03
	Food & Drug Retailers — 1.61% (1.22%)		
2,017,049	McColl's Retail Group	5,486,373	1.61
	General Retailers — 2.41% (2.99%)		
2,231,658	Moss Bros Group	1,874,593	0.55
2,836,000	Mothercare	1,871,760	0.55
9,237,654	Vertu Motors ¹	4,480,262	1.31
		<hr/>	<hr/>
		8,226,615	2.41
	Media — 4.21% (3.05%)		
3,945,200	Ebiquity ¹	3,945,200	1.15
494,701	Euromoney Institutional Investor	5,896,836	1.73

Portfolio Statement continued

Holding/ Nominal Value	Investment	Market value £	% of Net Assets
	Media — (cont.)		
2,666,667	ITE Group	4,546,667	1.33
		14,388,703	4.21
	Travel & Leisure — 3.79% (3.87%)		
2,125,975	Goals Soccer Centres ¹	1,700,780	0.50
2,406,139	Gym Group	5,179,214	1.52
2,975,000	Ladbrokes Coral Group	5,096,175	1.49
641,818	Revolution Bars Group	969,145	0.28
		12,945,314	3.79
	Fixed Line Telecommunications — 0.00% (0.42%)		
	Nonlife Insurance — 0.86% (2.67%)		
612,930	Beazley	2,947,580	0.86
	Real Estate Investment & Services — 1.13% (1.05%)		
400,000	Savills	3,848,000	1.13
	Real Estate Investment Trusts — 6.25% (7.04%)		
1,184,440	Hansteen	1,548,063	0.45
2,602,603	Safestore	12,609,612	3.70
766,097	Workspace Group	7,174,498	2.10
		21,332,173	6.25
	Financial Services — 6.69% (6.23%)		
1,710,000	Arrow Global Group	6,352,650	1.86
1,674,000	CMC Markets	2,787,210	0.82
179,000	Curtis Banks Group ¹	528,050	0.15
286,060	Maffioli Woods ¹	2,174,056	0.64
1,229,912	OneSavings Bank	4,983,603	1.46
1,187,583	River & Mercantile Group	4,278,268	1.25
936,966	Tatton Asset Management ¹	1,735,730	0.51
		22,839,567	6.69
	Software & Computer Services — 9.40% (9.25%)		
282,911	First Derivatives ¹	10,982,605	3.22
2,414,940	NCC Group	5,463,802	1.60
632,481	SDL	2,194,709	0.64
1,979,918	Servelec Group	6,330,788	1.85
543,103	Softcat	2,791,549	0.82
5,092,173	Tribal Group ¹	4,341,078	1.27
		32,104,531	9.40
	Technology Hardware & Equipment — 0.00% (0.00%)		
3,338,400	Celoxica ²	—	—
	IRELAND — 0.26% (0.41%)		
	Software & Computer Services — 0.26% (0.41%)		
679,978	Escher Group ¹	883,971	0.26

Portfolio Statement continued

Holding/ Nominal Value	Investment	Market value £	% of Net Assets
	AUSTRALIA — 0.32% (0.10%) Software & Computer Services — 0.32% (0.10%)		
9,881,490	eServGlobal ¹	1,086,964	0.32
	BERMUDA — 0.38% (0.62%) Mining — 0.38% (0.62%)		
1,788,330	Petra Diamonds	1,309,952	0.38
	CHANNEL ISLANDS — 1.78% (0.25%) Support Services — 0.26% (0.25%)		
125,683	Sanne Group	901,776	0.26
	Travel & Leisure — 1.52% (0.00%)		
150,000	Wizz Air	5,193,000	1.52
	GERMANY — 1.14% (0.62%) Software & Computer Services — 1.14% (0.62%)		
479,824	SQS Software Quality Systems ¹	3,886,574	1.14
	GIBRALTAR — 2.00% (1.84%) Travel & Leisure — 2.00% (1.84%)		
2,486,118	888	6,834,338	2.00
	ISLE OF MAN — 1.79% (1.77%) Electronic & Electrical Equipment — 0.42% (0.00%)		
1,071,429	Strix Group ¹	1,425,001	0.42
	Support Services — 1.37% (1.77%)		
797,115	Paysafe Group	4,695,007	1.37
	UNITED STATES — 0.81% (0.00%) Support Services — 0.81% (0.00%)		
3,823,729	Boku ¹	2,753,085	0.81
Portfolio of investments³		330,119,974	96.70
Net other assets		11,248,545	3.30
Total net assets		£341,368,519	100.00%

¹ These securities are quoted on the Alternative Investment Market and comprise 20.66% of the net assets of the Trust.

² Delisted securities are valued at the Manager's best assessment of their fair and reasonable value.

³ All investments are admitted to an official stock exchange unless otherwise stated.

Total purchases for the period: £20,562,343.

Total sales for the period: £33,727,815.

Financial Statements

Statement of Total Return for the period ended 15 December 2017

	19/06/17 to 15/12/17 ¹		19/06/16 to 18/12/16	
	£	£	£	£
Income				
Net capital gains		18,822,698		7,493,050
Revenue	3,543,908		3,827,110	
Expenses	(2,900,669)		(2,845,102)	
Interest payable and similar charges	(2,422)		–	
Net revenue before taxation	640,817		982,008	
Taxation	–		–	
Net revenue after taxation for the period		640,817		982,008
Total return before distributions		19,463,515		8,475,058
Distributions		(642,281)		(982,475)
Change in net assets attributable to Unitholders from investment activities		£18,821,234		£7,492,583

Statement of Change in Net Assets attributable to Unitholders for the period ended 15 December 2017

	19/06/17 to 15/12/17 ¹		19/06/16 to 18/12/16	
	£	£	£	£
Opening net assets attributable to Unitholders		334,407,948		323,561,122
Amounts received on issue of units	5,997,959		5,181,846	
Amounts paid on cancellation of units	(17,973,552)		(21,541,683)	
		(11,975,593)		(16,359,837)
Change in net assets attributable to Unitholders from investment activities		18,821,234		7,492,583
Retained distributions on accumulation units		76,270		101,114
Unclaimed distributions		38,660		45,490
Closing net assets attributable to Unitholders		£341,368,519		£314,840,472

¹ The Trust's Interim accounting date has been moved to 15 December 2017 in order to facilitate the closure of E-Class. See Significant Changes - Page 16.

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 15 December 2017

	15/12/17 ¹ £	18/06/17 £
ASSETS		
Fixed assets:		
Investments	330,119,974	324,772,545
Current assets:		
Debtors	1,744,744	2,495,990
Cash and bank balances	11,582,008	8,734,403
Total assets	343,446,726	336,002,938
LIABILITIES		
Creditors:		
Distributions payable	(559,481)	(897,756)
Other creditors	(1,518,726)	(697,234)
Total liabilities	(2,078,207)	(1,594,990)
Net assets attributable to Unitholders	£341,368,519	£334,407,948

¹ The Trust's Interim accounting date has been moved to 15 December 2017 in order to facilitate the closure of E-Class. See Significant Changes – Page 16.

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

Trust 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	59,125,662	6,143,879	962.35
Accumulation Units	19,503,488	1,809,101	1,078.08
E-Class			
Distribution Units	245,978,201	25,560,143	962.35
Accumulation Units	8,441,691	783,033	1,078.08
F-Class			
Distribution Units	629	64	982.81
Accumulation Units	68,387	6,051	1,130.18
I-Class			
Distribution Units	3,836,668	390,294	983.02
Accumulation Units	4,413,793	382,311	1,154.50

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

	15 Dec 17	18 Jun 17
R-Class	1.66%	1.77%
E-Class	1.77%	1.77%
F-Class	1.16%	1.27%
I-Class	0.83%	0.88%

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.

Trust Information continued

Distribution Information

R-Class

The distribution payable on 15 February 2018 is 1.6894p per unit for distribution units and 1.8879p per unit for accumulation units.

E-Class

The distribution payable on 15 February 2018 is 1.6894p per unit for distribution units and 1.8879p per unit for accumulation units.

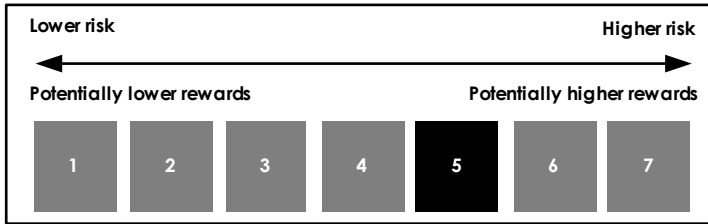
F-Class

The distribution payable on 15 February 2018 is 4.2187p per unit for distribution units and 4.8658p per unit for accumulation units.

I-Class

The distribution payable on 15 February 2018 is 6.1086p per unit for distribution units and 7.0720p 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 Trust's risk and reward category in the future.
- The category is based on the rate at which the value of the of Trust has moved up and down in the past.
- This Trust 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 Trust's category is not guaranteed to remain the same and may change over time.
- Even a trust in the lowest category is not a risk free investment.

General Information

Constitution

Launch date:	9 September 1985
Period end dates for distributions:	18 December, 18 June 15 December [^]
Distribution dates:	18 February, 18 August 15 February [^]
Minimum initial lump sum investment:	R-Class £500 F-Class* £500 I-Class £1,000,000
Minimum monthly contributions:	R-Class £50 F-Class* £50 I-Class N/A
Valuation point:	12 noon
Fund management fees:	R-Class Annual 1.53% [^] (1.77% Prior to 2 January 2018) F-Class* Annual 1.03% [^] (1.27% Prior to 2 January 2018) I-Class Annual 0.78% [^] (0.88% Prior to 2 January 2018)
Initial charge:	R-Class Nil F-Class* Nil I-Class Nil

[^] See Significant Changes on page 16.

* 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 Trust 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.

General Information continued

ISA Status

This Trust 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 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.

Significant Changes

Closure of E-Class

As at the 15 December 2017, the E-Class was closed. All unitholders in the E-Class as at 15 December 2017 have been moved into the R-Class which is identical to the E-Class. The terms and charges are identical between the classes.

Change of Accounting Date

The Trust's Interim accounting date, usually 18 December, has been moved to 15 December 2017 in order to facilitate the closure of E-Class as detailed above. As such, the Trust's corresponding distribution payment date, usually 18 February will be made on 15 February 2018. The accounting and distribution payment dates will revert to their normal dates after this event.

Reduction of FMF

With effect from 2 January 2018, the Fund Management Fees (FMF) have been reduced for the R-Class from 1.77% to 1.53%, for the F-Class from 1.27% to 1.03% and for the I-Class from 0.88% to 0.78%.

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 (appointed 5 July 2017)
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 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

PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT

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

