

Legal & General UK Smaller Companies Trust
Interim Manager's Report
for the period ended
18 December 2020
(Unaudited)



Contents

	Page Number
Manager's Investment Report	2
Authorised Status	5
Directors' Statement	5
Portfolio Statement	6
Statement of Total Return	10
Statement of Change in Net Assets attributable to Unitholders	10
Balance Sheet	11
Notes to the Financial Statements	12
Trust Information	13
Risk and Reward Profile	15
General Information	16

Manager's Investment Report

Investment Objective and Policy

The objective of the Trust is to provide growth above that of the Numis ex-Investment Trusts Index Net TR, the "Benchmark Index". The Trust aims to outperform the Benchmark Index by 3% per annum. This objective is before the deduction of any charges and measured over rolling three year periods.

The Trust is actively managed and invests at least 90% in the shares of UK companies that are in the lowest 10% by capitalisation of UK stock markets. These companies are incorporated, headquartered or which have their principal business activities in the UK, or companies that are listed in the UK and constituents of the Benchmark Index.

Over a market cycle (typically 3 to 5 years), the Trust will comprise on average 50 to 100 companies selected by the Manager following research of each company.

The Trust may also invest in collective investment schemes including those managed or operated by the Manager or an affiliate of the Manager as well as participatory notes, preference shares, cash, permitted deposits and money market instruments (such as treasury bills).

In addition, the Trust is also permitted to receive and hold warrants and convertible bonds as a result of corporate actions.

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

Manager's Investment Report

During the period under review, the bid price of the Trust's R-Class accumulation units rose by 15.93%. This compares to a rise in the benchmark of 21.88% 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

The unprecedented monetary and fiscal stimulus programmes enacted by central banks and governments breathed life back into markets following the volatility of March 2020. Nevertheless, without clarity around a path out of the pandemic and questions around the sustainability of large government deficits the rapid recovery slowed during the summer months.

Fortunately, for society at large, as well as financial markets in general, November saw very positive news in the form of Phase 3 trial readouts from a number of the vaccine candidates. This was significant for equity markets in that whilst the precise timing of a vaccine rollout remained unclear it offered for the first time a firm indication that a route out of the pandemic existed. Ultimately, this saw a strong recovery in share prices as investors began to discount not only a return to normal, and the avoidance of significant further balance sheet strain, but also a strong rebound in business and consumer activity as inventories were rebuilt, delayed capital expenditure plans restarted and for consumers savings ratios now expected to return to normal levels.

As a consequence, UK equities delivered strong positive returns in the period, led by small and mid-cap stocks. Given the significance of macro headlines regarding the global pandemic, US political risk and Brexit, it is perhaps no surprise that short-term corporate earnings have become something of a sideshow to a top-down driven market. Nonetheless, we expect that as investors become better able look beyond current market uncertainty, bottom-up factors including robust fundamentals, along

Manager's Investment Report continued

with attractive growth prospects and compelling valuation, will reassert themselves in company share prices.

Trust Review

The strong recovery in the benchmark during the review period meant that, despite very positive absolute returns, the Trust underperformed the wider market. At a sector level, benchmark returns came from consumer discretionary and communication services, where the Trust is structurally underweight. Offsetting this, the Trust benefited from its overweight position in information technology and industrials.

At the stock level, positive relative performance was driven by Luceco, a manufacturer and distributor of electrical products for the building trade. The firm has benefitted from operational improvements initiated prior to the pandemic as well as the shift in proportion of household expenditure allocated to home improvements. CVS Group, a nationwide chain of veterinarians, also contributed meaningfully to overall performance as the boom in pet ownership during lockdown converted into demand for these services. Finally, NCC Group, a provider of cyber security protection for corporates, continued to see strong structural demand for their services.

Trust performance was significantly impacted by four companies that we didn't own: AO World (online electronics retailer), S4 Capital (media agency), William Hill (bookmaker) and Pets at Home Group (companion animal focused retailer). AO World and Pets at Home Group were both structural winners from the pandemic and saw their share prices appreciate very meaningfully. As one would expect, we spend a significant amount of time understanding where we were wrong and, following further analysis, have added Pets at Home Group to the portfolio owing to its strong market position, clear framework for growth and attractive valuation. Finally, Hyve Group, a global events business, was owned by the Trust during the review period and was a significant detractor to performance. Events businesses are amongst those most significantly impacted by the pandemic, and the associated lockdown measures, with revenues across the sector falling to zero. In addition, it is not clear what customer response will be when restrictions lift and whether their structural role in the value chain has been fundamentally diminished by new behaviours learnt during the pandemic. On this basis, we exited the position in the review period, preferring names where the fundamentals were either robust or even enhanced by their recent experience.

Outlook

A record amount of fiscal and monetary support, coupled with the vaccine discoveries and approval news, has kept recovery optimism riding high. In addition, the completion of the trade negotiation between UK and European Union provides businesses with certainty at least around the frameworks in which they will operate. The combination of these factors means that pent-up demand from business and consumer spending decisions, delayed due to the perceived uncertainty, are likely to act as a tailwind for growth as we navigate a pathway out of current uncertainty.

Legal & General Investment Management Limited
(Investment Adviser)
18 January 2021

Manager's Investment Report continued

Important Note from the Manager

Since January 2020, global financial markets have been affected by the COVID-19 coronavirus. The impact on the Company will take longer to assess; however, the Company has enacted its business continuity plans, with a large number of staff working remotely. Our technology and IT infrastructure supports large scale remote working, with our Investment Management Teams able to work in a 'business as usual' manner. We remain in regular contact with all key suppliers and we continue to monitor this situation closely.

The virus has caused major uncertainty and disruption to businesses and everyday life. Financial markets have reacted sharply to this news, with concerns regarding the economic impact this may have on a global scale. The long-term impact on the global economy and markets will depend upon the overall scale and the duration of the outbreak, as well as on the actions taken by governments and central banks.

Legal & General (Unit Trust Managers) Limited
18 January 2021

Authorised Status

Authorised Status

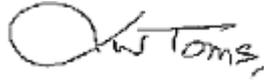
This Trust is an Authorised Unit Trust Scheme as defined in section 243 of the Financial Services and Markets Act 2000 and is a UCITS Retail Scheme within the meaning of the FCA Collective Investment Schemes sourcebook.

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)



L. W. Toms
(Director)

Legal & General (Unit Trust Managers) Limited
17 February 2021

Portfolio Statement

Portfolio Statement as at 18 December 2020

All investments are in ordinary shares unless otherwise stated. The percentages in brackets show the equivalent holdings at 18 June 2020.

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	UNITED KINGDOM		
	— 88.16% (89.94%)		
	Oil & Gas Producers		
	— 2.11% (1.71%)		
800,000	Energean	5,609,600	2.11
	Chemicals — 2.54% (2.88%)		
246,000	Victrex	5,623,560	2.11
301,091	Zotefoams	1,132,102	0.43
		6,755,662	2.54
	Construction & Materials		
	— 4.86% (3.21%)		
860,189	Keller Group	5,746,062	2.16
368,451	Marshalls	2,665,743	1.00
521,116	Polypipe Group	3,017,262	1.14
422,167	Tyman	1,496,582	0.56
		12,925,649	4.86
	Aerospace & Defense		
	— 3.47% (3.75%)		
3,011,151	Senior	2,506,783	0.94
321,465	Ultra Electronics	6,725,048	2.53
		9,231,831	3.47
	Electronic & Electrical Equipment		
	— 4.99% (4.11%)		
1,171,853	discoverIE Group	7,429,548	2.79
2,400,000	Luceco	5,844,000	2.20
		13,273,548	4.99
	Industrial Engineering		
	— 6.52% (5.00%)		
372,915	Bodycote	2,785,675	1.05
519,053	Hill & Smith	7,214,837	2.71
6,758,288	Severfield	4,649,702	1.75
520,597	Vesuvius	2,688,884	1.01
		17,339,098	6.52
	Industrial Transportation		
	— 1.74% (1.76%)		
180,775	Clarkson	4,627,840	1.74
	Support Services — 9.25% (10.04%)		
1,883,070	Biffa	4,509,953	1.70
494,701	Euromoney Institutional Investor	5,194,360	1.95
175,402	FDM Group	1,768,052	0.66
1,515,916	Knights Group	5,927,232	2.23
1,833,721	Redde Northgate	4,721,832	1.78

Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
Support Services — (cont.)			
463,912	RWS	2,486,568	0.93
		24,607,997	9.25
Food Producers — 2.76% (3.95%)			
209,850	Cranswick	7,348,947	2.76
Household Goods & Home Construction — 4.93% (4.60%)			
1,365,701	Crest Nicholson	4,312,884	1.62
909,282	Headlam Group	3,327,972	1.25
761,904	Redrow	4,167,615	1.57
748,643	Watkin Jones	1,316,114	0.49
		13,124,585	4.93
Personal Goods — 1.18% (1.50%)			
568,696	PZ Cussons	1,293,783	0.49
1,532,120	Ted Baker	1,847,737	0.69
		3,141,520	1.18
Health Care Equipment & Services — 1.67% (2.91%)			
1,940,873	Advanced Medical Solutions Group ¹	4,454,304	1.67
Pharmaceuticals & Biotechnology — 7.23% (8.68%)			
188,452	Dechra Pharmaceuticals	6,162,381	2.32
176,293	Genus	7,411,358	2.79
4,672,684	Vectura Group	5,644,602	2.12
		19,218,341	7.23
Food & Drug Retailers — 0.00% (0.35%)			
General Retailers — 3.62% (3.21%)			
461,202	CVS Group	6,848,850	2.57
680,884	Pets at Home Group	2,784,815	1.05
		9,633,665	3.62
Media — 1.02% (2.67%)			
82,264	4imprint Group	2,130,638	0.80
2,995,200	Ebiquity ¹	575,078	0.22
		2,705,716	1.02
Travel & Leisure — 4.85% (3.96%)			
1,146,200	Domino's Pizza Group	3,800,799	1.43
2,125,975	Goals Soccer Centres ²	—	—
2,764,134	Gym Group	5,929,067	2.23
852,754	On the Beach Group	3,159,454	1.19
		12,889,320	4.85
Fixed Line Telecommunications — 1.18% (1.28%)			
2,976,846	Zegona Communications	3,125,688	1.18

Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	Real Estate Investment & Services — 1.88% (1.75%)		
500,000	Savills	4,995,000	1.88
	Real Estate Investment Trusts — 6.58% (7.60%)		
968,280	Safestore	7,436,390	2.80
3,039,228	Urban Logistics REIT	4,315,704	1.62
766,097	Workspace Group	5,741,897	2.16
		17,493,991	6.58
	Financial Services — 9.24% (8.53%)		
2,050,000	Arrow Global Group	3,767,900	1.42
483,549	Brewin Dolphin	1,462,736	0.55
1,674,000	CMC Markets	6,503,490	2.44
454,143	Curtis Banks Group ¹	980,949	0.37
390,985	IntegraFin	2,154,327	0.81
286,060	Mattioli Woods ¹	2,116,844	0.80
1,229,912	OSB Group	5,106,595	1.92
936,966	Tatton Asset Management ¹	2,473,590	0.93
		24,566,431	9.24
	Software & Computer Services — 6.54% (6.06%)		
129,750	First Derivatives ¹	3,976,837	1.49
108,458	Kainos Group	1,353,556	0.51
2,789,427	NCC Group	7,126,986	2.68
380,193	Softcat	4,946,311	1.86
		17,403,690	6.54
	Technology Hardware & Equipment — 0.00% (0.00%)		
3,338,400	Celoxica ²	—	—
	Oil Equipment & Services — 0.00% (0.43%)		
	AUSTRALIA — 0.29% (0.26%) Support Services — 0.29% (0.26%)		
12,556,903	Wameja	778,528	0.29
	BERMUDA — 0.24% (0.50%) Mining — 0.24% (0.50%)		
1,099,189	Capital	648,521	0.24
	CHANNEL ISLANDS — 3.25% (1.90%) Construction & Materials — 1.02% (0.00%)		
3,167,070	Breedon	2,717,346	1.02
	Travel & Leisure — 1.92% (1.90%)		
109,992	Wizz Air	5,092,630	1.92
	Financial Services — 0.31% (0.00%)		
137,684	Sanne Group	820,597	0.31

Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	GIBRALTAR — 2.63% (1.49%) Travel & Leisure — 2.63% (1.49%)		
2,486,118	888	6,998,422	2.63
	ISLE OF MAN — 1.76% (1.67%) Electronic & Electrical Equipment — 1.76% (1.67%)		
2,111,049	Strix ¹	4,665,418	1.76
	UNITED STATES — 1.79% (1.32%) Support Services — 1.79% (1.32%)		
3,400,000	Boku ¹	4,760,000	1.79
Portfolio of investments³		260,953,885	98.12
Net other assets		5,004,588	1.88
Total net assets		£265,958,473	100.00%

¹ These securities are quoted on the Alternative Investment Market and comprise 9.03% 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: £30,657,261.

Total sales for the period: £44,134,324.

Financial Statements

Statement of Total Return for the period ended 18 December 2020

	18/12/20		18/12/19	
	£	£	£	£
Income				
Net capital gains		37,835,383		30,724,867
Revenue	2,915,440		3,721,103	
Expenses	(888,022)		(1,322,701)	
Interest payable and similar charges	—		(1,322)	
Net revenue before taxation	2,027,418		2,397,080	
Taxation	—		—	
Net revenue after taxation for the period		2,027,418		2,397,080
Total return before distributions		39,862,801		33,121,947
Distributions		(2,027,582)		(2,628,498)
Change in net assets attributable to Unitholders from investment activities		£37,835,219		£30,493,449

Statement of Change in Net Assets attributable to Unitholders for the period ended 18 December 2020

	18/12/20		18/12/19	
	£	£	£	£
Opening net assets attributable to Unitholders		243,707,858		284,003,257
Amounts received on issue of units	1,812,402		6,525,685	
Amounts paid on cancellation of units	(19,033,895)		(22,839,598)	
		(17,221,493)		(16,313,913)
Change in net assets attributable to Unitholders from investment activities		37,835,219		30,493,449
Retained distributions on accumulation units		1,635,453		2,169,628
Unclaimed distributions		1,436		8,636
Closing net assets attributable to Unitholders		£265,958,473		£300,361,057

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 18 December 2020

	18/12/20 £	18/06/20 £
ASSETS		
Fixed assets:		
Investments	260,953,885	236,595,558
Current assets:		
Debtors	424,591	770,803
Cash and bank balances	6,368,073	7,801,231
Total assets	<u>267,746,549</u>	<u>245,167,592</u>
LIABILITIES		
Creditors:		
Distributions payable	(297,723)	(821)
Other creditors	(1,490,353)	(1,458,913)
Total liabilities	<u>(1,788,076)</u>	<u>(1,459,734)</u>
Net assets attributable to Unitholders	<u>£265,958,473</u>	<u>£243,707,858</u>

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. In making this assessment, and in response to COVID-19, the Manager has considered, amongst other things, factors such as Trust size, cash flows through the Trust and Trust liquidity.

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	70,404,440	7,579,770	928.85
Accumulation Units	25,103,396	2,356,331	1,065.36
F-Class			
Accumulation Units	30,833	2,721	1,133.15
I-Class			
Distribution Units	3,833,009	402,560	952.16
Accumulation Units	4,249,492	364,329	1,166.39
C-Class			
Accumulation Units	78,106,496	152,347,011	51.27
L-Class			
Accumulation Units	84,230,807	154,735,818	54.44

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

	18 Dec 20	18 Jun 20
R-Class	1.43%	1.51%
F-Class	1.03%	1.03%
I-Class	0.78%	0.78%
C-Class	0.60%	0.60%
L-Class	0.05%	0.05%

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 fund and is calculated based on the last period's figures.

Trust Information continued

Distribution Information

R-Class

The distribution payable on 18 February 2021 is 3.5825p per unit for distribution units and 4.0954p per unit for accumulation units.

F-Class

The distribution payable on 18 February 2021 is 6.5825p per unit for accumulation units.

I-Class

The distribution payable on 18 February 2021 is 6.5015p per unit for distribution units and 8.1018p per unit for accumulation units.

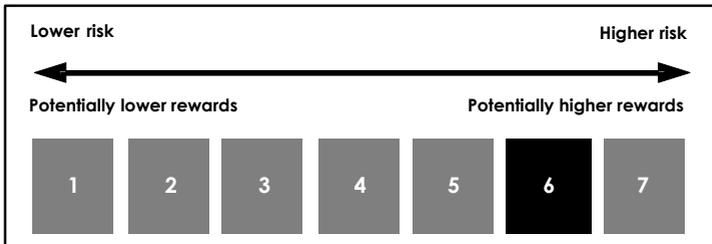
C-Class

The distribution payable on 18 February 2021 is 0.4053p per unit for accumulation units.

L-Class

The distribution payable on 18 February 2021 is 0.5763p per unit for accumulation units.

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 six 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.

General Information

Constitution

Launch date:	9 September 1985
Period end dates for distributions:	18 December, 18 June
Distribution dates:	18 February, 18 August
Minimum initial lump sum investment:	R-Class £100 I-Class £1,000,000 C-Class* £20,000,000 L-Class** £100,000
Minimum monthly contributions:	R-Class £20 I-Class N/A C-Class* N/A L-Class** N/A
Valuation point:	12 noon
Fund management fees:	R-Class Annual 1.43% F-Class*** Annual 1.03% I-Class Annual 0.78% C-Class* Annual 0.60% L-Class** Annual 0.05%
Initial charge:	Nil for all existing unit classes

* Class C 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.

** Class L units are only available to other Legal & General funds and/or companies which have entered into an agreement with the Manager or an affiliate of the Manager.

*** Closed to new subscriptions.

Pricing and Dealing

The prices are published on the internet at www.legalandgeneral.com/investments/funds/prices-and-reports/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.

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.

General Information continued

Prospectus and Manager's 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.

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.

Significant Change

Changes to Pricing Methodology

We have recently reviewed the way we calculate prices for your funds. Following the review, we have decided to adopt a standardised way of pricing funds across most of our Unit Trust fund range.

Previously we used four different methods for calculating fund prices. With effect from 1 December 2020, we have adopted a 'single swing pricing' method.

The move to a standardised pricing method will:

1. Make our pricing simpler;
2. Make it easier for you to compare prices across our funds; and
3. Make it easier for you to compare our funds to funds offered by our competitors.

This new pricing method means that on each day all our customers receive the same price regardless of whether they are buying or selling their investments.

If you'd like to know more about this change and what it means for you, then you can visit our website at legalandgeneral.com/swing-pricing. If you have any questions about the change or require further information, please contact us Monday to Friday between 9.00am and 5:00pm on 0370 050 0955 or email us at investments@landg.com

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

A. Clare*
E. Cowhey*
A. J. C. Craven
S. Hynes
H. Solomon
L. W. Toms
A. R. Toutouchi*

*Non-executive Director

Secretary

J. McCarthy

Registrar

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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

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