

Legal & General UK Special Situations Trust
Interim Manager's Report
for the period ended
14 March 2018
(Unaudited)

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Manager's Investment Report

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.

Manager's Investment Report

During the period under review, the Trust's R-Class distribution units fell by 0.46%, while the FTSE All-Share Index fell by 1.48% on a capital only 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.

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

Market/Economic Review

Globally, equity markets have made further gains over the last six months, reflecting a steady improvement in global economic indicators, while corporate earnings growth has exceeded expectations. 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. Mining stocks have performed well as commodity markets rallied, while energy stocks also outperformed as the oil price climbed to a three-year high above \$70/barrel in January. In contrast, utilities, real estate and telecommunications sectors, that are more sensitive to bond markets, have underperformed.

Despite ending 2017 on a positive note, UK equities have faltered in recent months and ended the review period marginally lower. Sterling's strength, with the currency reaching its highest level since the 2016 referendum, surpassing \$1.40 at the end of January, has caused a headwind for companies and sectors with high international earnings, notably healthcare and food & beverages. Investors were also unsettled by the latest guidance on monetary policy from the Bank of England, which cautioned that interest rates may need to be increased earlier and faster than previously expected. Autos and media stocks have performed well, driven by takeover bids for GKN and Sky respectively.

Trust Review

The Trust delivered a modest negative return over the review period, broadly in line with the FTSE All-Share Index. Sector allocation helped drive performance with our overweight position in industrials benefitting performance in the later months. However, stock selection was a drag on performance as a number of our holdings in the basic materials sector underperformed.

Positive contributors included airline company Wizz Air which hosted an investor day in Budapest. The management team provided greater clarity on the business model and long-term growth strategy. Wizz Air operates a virtuous cycle of low costs driving low prices, stimulating demand in underpenetrated markets and is working hard to drive market share gains. Its established digital and ancillary strategy is well placed relative to peers.

On the negative side, Playtech detracted from performance. Sentiment has been overly negative on increased concern about the impact of industry consolidation on suppliers.

Manager's Investment Report continued

While the headline GVC/Ladbrokes Coral deal presents a headline risk to group numbers, we think the outcome will likely be far more benign than implied by investors. We also expect the company to provide some more clarity on its unregulated Asian revenues over the coming months, which has been another key concern.

In terms of trading activity, we switched from Royal Dutch Shell 'B' into BP, as we prefer the earnings outlook for BP. The group should also be able to deliver a boost to free cashflow generation. Elsewhere, we exited positions in NMC Healthcare and St James's Place, and also in Bayer, where we lack conviction in the investment case ahead of its merger with Monsanto. While it may be a winner in future agricultural-tech, its pharmaceutical pipeline proposition remains more challenged and the consumer business faces market headwinds.

Outlook

We anticipate another year of robust earnings, led by synchronised global growth. The improvement in industrial activity and corporate investment (merger and acquisition) will provide market support. Removal of loose monetary policy may prompt a change in market leadership. The domestic economy faces structural challenges, but the UK economy is not necessarily reflective of UK-based companies. While sector dispersion exists, we remain of the view that equities are fairly valued and maintain a bias for growth over defensives.

Legal & General Investment Management Limited
(Investment Adviser)
6 April 2018

Authorised Status

Authorised Status

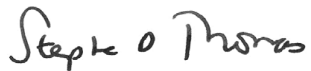
This Trust is an Authorised Unit Trust Scheme as defined in section 243 of the Financial Services and Markets Act 2000 and is a UCITS Retail Scheme within the meaning of the FCA Collective Investment Schemes sourcebook.

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
1 May 2018

Portfolio Statement

Portfolio Statement as at 14 March 2018

All investments are in ordinary shares unless otherwise stated. The percentages in brackets show the equivalent holdings at 14 September 2017.

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	UNITED KINGDOM		
	— 64.54% (60.71%)		
	Oil & Gas Producers		
	— 7.90% (6.06%)		
2,500,000	BP	11,785,000	4.39
3,000,000	Cairn Energy	6,072,000	2.26
5,500,000	Ophir Energy	3,366,000	1.25
		21,223,000	7.90
	Construction & Materials		
	— 4.76% (1.90%)		
5,800,000	Melrose Industries	12,789,000	4.76
	Aerospace & Defense		
	— 3.22% (0.00%)		
600,000	Ultra Electronics	8,652,000	3.22
	Electronic & Electrical Equipment		
	— 1.57% (2.34%)		
1,503,060	Xaar	4,223,599	1.57
	Industrial Transportation		
	— 3.26% (5.03%)		
2,294,816	BBA Aviation	7,660,096	2.85
246,944	Global Ports	1,091,492	0.41
		8,751,588	3.26
	Support Services — 5.90% (5.43%)		
3,114,290	Biffa	6,368,723	2.37
3,035,714	Equiniti Group	9,471,428	3.53
		15,840,151	5.90
	Household Goods & Home Construction — 2.73% (0.00%)		
2,300,000	Countryside Properties	7,327,800	2.73
	Tobacco — 3.91% (0.00%)		
250,000	British American Tobacco	10,502,500	3.91
	Health Care Equipment & Services		
	— 1.76% (6.33%)		
1,478,880	Georgia Healthcare Group	4,732,416	1.76
	Pharmaceuticals & Biotechnology		
	— 0.00% (0.89%)		
	General Retailers — 2.51% (0.00%)		
6,000,000	Saga	6,750,000	2.51
	Travel & Leisure — 6.91% (6.70%)		
210,000	Carnival	9,920,400	3.69
3,520,345	Gym Group	8,660,049	3.22
		18,580,449	6.91

Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	Fixed Line Telecommunications — 1.38% (3.22%)		
3,214,696	Zegona Communications	3,696,900	1.38
	Banks — 0.96% (4.56%)		
370,000	HSBC	2,573,350	0.96
	Life Insurance — 5.16% (8.82%)		
715,000	Prudential	13,863,850	5.16
	Real Estate Investment & Services — 4.76% (2.23%)		
4,000,000	Urban & Civic	12,800,000	4.76
	Financial Services — 3.21% (5.66%)		
670,260	IntegraFin	1,816,405	0.67
197,443	IP Group	214,423	0.08
1,000,000	NEX Group	6,605,000	2.46
		8,635,828	3.21
	Software & Computer Services — 2.23% (1.54%)		
300,000	Micro Focus	6,003,000	2.23
	Technology — 2.41% (0.00%)		
4,577,994	IQE	6,482,439	2.41
	IRELAND — 11.27% (11.86%)		
	Mining — 1.48% (1.67%)		
1,597,659	Kenmare Resources	3,978,171	1.48
	Construction & Materials — 3.70% (3.96%)		
400,000	CRH	9,948,000	3.70
	Support Services — 4.22% (4.52%)		
166,119	DCC	11,337,622	4.22
	Household Goods & Home Construction — 1.87% (1.71%)		
3,000,000	Cairn Homes	5,006,363	1.87
	BERMUDA — 1.29% (1.54%)		
	Mining — 1.29% (1.54%)		
4,997,474	Petra Diamonds	3,470,746	1.29
	CHANNEL ISLANDS — 10.24% (9.91%)		
	Mining — 3.87% (3.59%)		
2,700,000	Glencore	10,390,950	3.87
	Pharmaceuticals & Biotechnology — 2.52% (3.15%)		
212,595	Shire	6,776,466	2.52
	Travel & Leisure — 3.85% (3.17%)		
300,000	Wizz Air	10,341,000	3.85

Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	GERMANY — 0.00% (4.28%)		
	Chemicals — 0.00% (4.28%)		
	ISLE OF MAN — 8.60% (8.18%)		
	Travel & Leisure — 8.60% (8.18%)		
1,253,992	GVC	12,025,783	4.48
1,475,000	Playtech	11,080,200	4.12
		<hr/>	
		23,105,983	8.60
		<hr/>	
Portfolio of investments¹		257,783,171	95.94
Net other assets		10,918,845	4.06
Total net assets		<hr/>	
		£268,702,016	100.00%
		<hr/>	

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

Total purchases for the period: £86,152,788.

Total sales for the period: £88,361,294.

Financial Statements

Statement of Total Return for the period ended 14 March 2018

	14/03/18		14/03/17	
	£	£	£	£
Income				
Net capital gains		576,437		9,860,593
Revenue	1,858,515		2,946,446	
Expenses	(1,684,056)		(1,678,340)	
Interest payable and similar charges	—		(1,426)	
Net revenue before taxation	174,459		1,266,680	
Taxation	—		—	
Net revenue after taxation for the period		174,459		1,266,680
Total return before distributions		750,896		11,127,273
Distributions		(509,593)		(1,266,993)
Change in net assets attributable to Unitholders from investment activities		£241,303		£9,860,280

Statement of Change in Net Assets attributable to Unitholders for the period ended 14 March 2018

	14/03/18		14/03/17	
	£	£	£	£
Opening net assets attributable to Unitholders		268,910,530		241,408,926
Amounts received on issue of units	11,017,741		16,862,598	
Amounts paid on cancellation of units	(11,480,419)		(8,137,687)	
		(462,678)		8,724,911
Change in net assets attributable to Unitholders from investment activities		241,303		9,860,280
Retained distributions on accumulation units		12,594		58,452
Unclaimed distributions		267		—
Closing net assets attributable to Unitholders		£268,702,016		£260,052,569

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 14 March 2018

	14/03/18 £	14/09/17 £
ASSETS		
Fixed assets:		
Investments	257,783,171	259,437,435
Current assets:		
Debtors	1,726,708	5,477,353
Cash and bank balances	10,210,098	7,099,116
Total assets	269,719,977	272,013,904
LIABILITIES		
Creditors:		
Bank overdrafts	(311,523)	–
Distributions payable	(495,685)	(1,758,116)
Other creditors	(210,753)	(1,345,258)
Total liabilities	(1,017,961)	(3,103,374)
Net assets attributable to Unitholders	£268,702,016	£268,910,530

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	168,244,492	154,504,408	108.89
Accumulation Units	13,163,498	11,414,394	115.32
F-Class			
Distribution Units	72,227	65,354	110.52
Accumulation Units	57,204	47,764	119.76
I-Class			
Distribution Units	3,625,684	3,305,321	109.69
Accumulation Units	5,236,013	4,185,332	125.10
C-Class			
Distribution Units	983	2,000	49.15
Accumulation Units	985	2,000	49.25
L-Class			
Distribution Units	78,300,930	71,424,056	109.63

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.

Ongoing Charges Figures

	14 Mar 18	14 Sep 17
R-Class	1.63%	1.83%
F-Class	1.13%	1.33%
I-Class	0.84%	0.94%
C-Class	0.50%	–
L-Class	0.09%	0.19%

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

A shortfall for the R-Class units arose because expenses exceeded the revenue of the R-Class. This being the case, there is no interim distribution payable for the R-Class.

F-Class

The distribution payable on 14 May 2018 is 0.0649p per unit for distribution units and 0.0702p per unit for accumulation units.

I-Class

The distribution payable on 14 May 2018 is 0.2631p per unit for distribution units and 0.3000p per unit for accumulation units.

C-Class

The distribution payable on 14 May 2018 is 0.1105p per unit for distribution units and 0.1105p per unit for accumulation units.

L-Class

The distribution payable on 14 May 2018 is 0.6817p per unit for distribution 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 number highlighted above reflects the rate at which the Trust's unit price has moved up and down in the past. If the Trust 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 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.
- 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:	10 November 2008
Period end dates for distribution:	14 March, 14 September
Distribution dates:	14 May, 14 November
Minimum initial lump sum investment:	R-Class £500 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 1.54%† (1.83% Prior to 2 January 2018) F-Class* Annual 1.04%† (1.33% Prior to 2 January 2018) I-Class Annual 0.79%† (0.94% Prior to 2 January 2018) C-Class** Annual 0.50% L-Class*** Annual 0.04%† (0.19% Prior to 2 January 2018)
Initial charges:	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 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.

** 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 companies.

† With effect from 2 January 2018 – See Significant Changes on page 15.

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 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

Reduction of FMF

With effect from 2 January 2018, the Fund Management Fees (FMF) have been reduced as follows:

	Old FMF	New FMF
R-Class	1.83%	1.54%
F-Class	1.33%	1.04%
I-Class	0.94%	0.79%
L-Class	0.19%	0.04%

New Unit Class: C-Class

With effect from 12 December 2017, C-Class units are being launched within the Trust with accumulation and distribution units available.

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 PLC
Trustee and Depository Services
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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
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Investment Adviser

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One Coleman Street,
London EC2R 5AA
Authorised and regulated by the Financial Conduct Authority

**Authorised and regulated by the
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