

Legal & General UK Special Situations Trust
**Annual Manager's
Short Report
for the year ended
14 September 2017**

**EVERY
DAY
MATTERS.®**



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.

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.

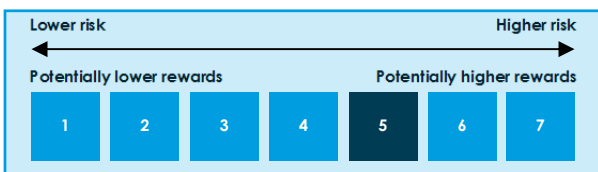
Trust Facts

Period End Dates for Distributions:	14 Mar, 14 Sep	
Distribution Dates:	14 May, 14 Nov	
Ongoing Charges Figures:	14 Sep 17	14 Sep 16
R-Class	1.83%	1.75%
F-Class	1.33%	1.25%
I-Class	0.94%	0.86%
L-Class	0.19%	0.11%

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



- 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 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.

Distribution Information

R-Class

The distribution payable on 14 November 2017 is 0.4706p per unit for distribution units and 0.4965p per unit for accumulation units.

F-Class

The distribution payable on 14 November 2017 is 0.7511p per unit for distribution units and 0.8161p per unit for accumulation units.

I-Class

The distribution payable on 14 November 2017 is 0.9605p per unit for distribution units and 1.0840p per unit for accumulation units.

L-Class

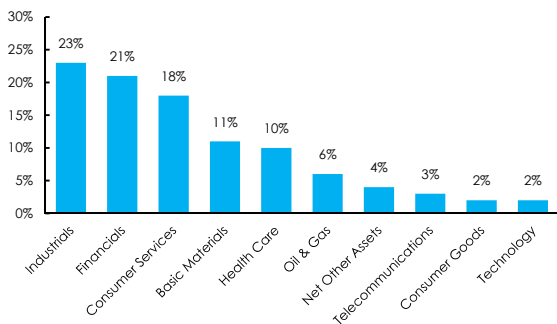
The distribution payable on 14 November 2017 is 1.3881p per unit for distribution units.

Portfolio Information

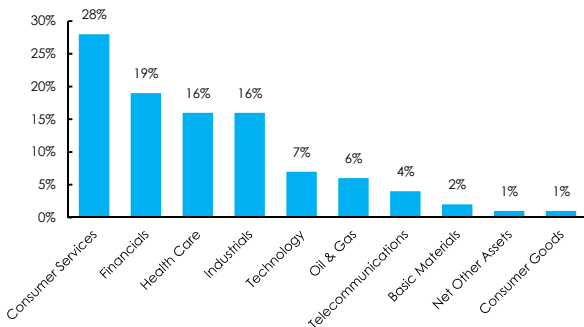
The top 10 holdings and their associated weighting at the current and preceding year ends were:

Top 10 Holdings at 14 September 2017		Top 10 Holdings at 14 September 2016	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
Prudential	4.73%	St James' Place	4.71%
DCC	4.52%	Micro Focus	4.62%
NMC Health	4.49%	Smith & Nephew	4.39%
Playtech	4.29%	GVC	4.31%
Bayer	4.28%	Shire	4.28%
St James's Place	4.09%	Paysafe	4.25%
Carnival	4.02%	Vodafone Group	4.15%
Royal Dutch Shell 'B'	3.99%	Prudential	4.14%
CRH	3.96%	888 Holdings	4.13%
GVC	3.89%	Saga	4.12%

Trust Holdings as at 14 September 2017



Trust Holdings as at 14 September 2016



Comparative Tables

R-Class Distribution Units

Change in Net Asset Value per Unit

Accounting year ending	14/09/17 (pence per unit)	14/09/16 (pence per unit)	14/09/15 (pence per unit)
Opening net asset value per unit	98.96	83.95	78.58
Return before operating charges*	12.55	17.02	7.02
Operating charges (calculated on average price)	(1.89)	(1.55)	(1.37)
Return after operating charges*	10.66	15.47	5.65
Distributions on income units	(0.72)	(0.46)	(0.28)
Closing net asset value per unit	108.90	98.96	83.95
* after direct transaction costs of:	0.36	0.48	0.61

Performance

Return after charges	10.77%	18.43%	7.19%
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Other Information

Closing net asset value (£)	169,618,457	162,341,288	145,972,598
Closing number of units	155,754,960	164,041,310	173,874,882
Operating charges†	1.83%	1.75%	1.68%
Direct transaction costs	0.35%	0.54%	0.73%

Prices

Highest unit price	116.70p	107.20p	93.46p
Lowest unit price	94.90p	76.83p	71.07p

† Operating charges, otherwise known as the OCF is the ratio of the Trust's total disclosable costs (excluding overdraft interest) to the average net assets of the Trust.

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.

Comparative Tables continued

R-Class Accumulation Units

Change in Net Asset Value per Unit

Accounting year ending	14/09/17 (pence per unit)	14/09/16 (pence per unit)	14/09/15 (pence per unit)
Opening net asset value per unit	104.10	87.90	82.00
Return before operating charges*	13.22	17.82	7.33
Operating charges (calculated on average price)	(1.99)	(1.62)	(1.43)
Return after operating charges*	11.23	16.20	5.90
Distributions	(0.76)	(0.48)	(0.29)
Retained distributions on accumulation units	0.76	0.48	0.29
Closing net asset value per unit	115.33	104.10	87.90
* after direct transaction costs of:	0.38	0.50	0.63

Performance

Return after charges	10.79%	18.43%	7.20%
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Other Information

Closing net asset value (£)	12,973,257	11,546,066	10,132,593
Closing number of units	11,248,928	11,091,237	11,527,208
Operating charges†	1.83%	1.75%	1.68%
Direct transaction costs	0.35%	0.54%	0.73%

Prices

Highest unit price	123.00p	112.20p	97.53p
Lowest unit price	99.82p	80.45p	74.16p

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Comparative Tables continued

F-Class Distribution Units

Change in Net Asset Value per Unit

Accounting year ending	14/09/17 (pence per unit)	14/09/16 (pence per unit)	14/09/15 (pence per unit)
Opening net asset value per unit	100.27	85.09	79.64
Return before operating charges*	12.74	17.28	7.16
Operating charges (calculated on average price)	(1.40)	(1.12)	(0.99)
Return after operating charges*	11.34	16.16	6.17
Distributions on income units	(1.28)	(0.98)	(0.72)
Closing net asset value per unit	110.33	100.27	85.09
* after direct transaction costs of:	0.37	0.48	0.62

Performance

Return after charges	11.31%	18.99%	7.75%
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Other Information

Closing net asset value (£)	72,105	57,952	53,080
Closing number of units	65,354	57,796	62,379
Operating charges†	1.33%	1.25%	1.18%
Direct transaction costs	0.35%	0.54%	0.73%

Prices

Highest unit price	112.70p	103.80p	90.54p
Lowest unit price	96.25p	78.04p	72.07p

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Comparative Tables continued

F-Class Accumulation Units

Change in Net Asset Value per Unit

Accounting year ending	14/09/17 (pence per unit)	14/09/16 (pence per unit)	14/09/15 (pence per unit)
Opening net asset value per unit	107.31	90.18	83.72
Return before operating charges*	13.68	18.34	7.49
Operating charges (calculated on average price)	(1.50)	(1.21)	(1.03)
Return after operating charges*	12.18	17.13	6.46
Distributions	(1.38)	(1.04)	(0.75)
Retained distributions on accumulation units	1.38	1.04	0.75
Closing net asset value per unit	119.49	107.31	90.18
* after direct transaction costs of:	0.39	0.52	0.63

Performance

Return after charges	11.35%	19.00%	7.72%
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Other Information

Closing net asset value (£)	57,074	32,984	799
Closing number of units	47,764	30,736	886
Operating charges†	1.33%	1.25%	1.18%
Direct transaction costs	0.35%	0.54%	0.73%

Prices

Highest unit price	121.20p	110.20p	95.16p
Lowest unit price	103.10p	82.69p	75.73p

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Comparative Tables continued

I-Class Distribution Units

Change in Net Asset Value per Unit

Accounting year ending	14/09/17 (pence per unit)	14/09/16 (pence per unit)	14/09/15 (pence per unit)
Opening net asset value per unit	99.52	84.42	79.01
Return before operating charges*	12.64	17.16	7.09
Operating charges (calculated on average price)	(0.98)	(0.77)	(0.65)
Return after operating charges*	11.66	16.39	6.44
Distributions on income units	(1.67)	(1.29)	(1.03)
Closing net asset value per unit	109.51	99.52	84.42
* after direct transaction costs of:	0.36	0.48	0.62

Performance

Return after charges	11.72%	19.41%	8.15%
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Other Information

Closing net asset value (£)	3,775,065	3,722,032	929,480
Closing number of units	3,447,104	3,740,075	1,101,067
Operating charges†	0.94%	0.86%	0.79%
Direct transaction costs	0.35%	0.54%	0.73%

Prices

Highest unit price	111.90p	103.20p	89.99p
Lowest unit price	95.61p	77.54p	71.51p

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Comparative Tables continued

I-Class Accumulation Units

Change in Net Asset Value per Unit

Accounting year ending	14/09/17 (pence per unit)	14/09/16 (pence per unit)	14/09/15 (pence per unit)
Opening net asset value per unit	111.47	93.29	86.25
Return before operating charges*	14.23	19.05	7.76
Operating charges (calculated on average price)	(1.10)	(0.87)	(0.72)
Return after operating charges*	13.13	18.18	7.04
Distributions	(1.88)	(1.44)	(1.12)
Retained distributions on accumulation units	1.88	1.44	1.12
Closing net asset value per unit	124.60	111.47	93.29
* after direct transaction costs of:	0.40	0.54	0.67

Performance

Return after charges	11.78%	19.49%	8.16%
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Other Information

Closing net asset value (£)	4,230,758	2,427,329	563,558
Closing number of units	3,395,438	2,177,594	604,111
Operating charges†	0.94%	0.86%	0.79%
Direct transaction costs	0.35%	0.54%	0.73%

Prices

Highest unit price	126.20p	114.40p	98.31p
Lowest unit price	107.10p	85.69p	78.07p

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Comparative Tables continued

L-Class Distribution Units

Change in Net Asset Value per Unit

Accounting year ending	14/09/17 (pence per unit)	14/09/16 (pence per unit)	14/09/15 (pence per unit)
Opening net asset value per unit	99.47	84.40	79.01
Return before operating charges*	12.67	17.20	7.09
Operating charges (calculated on average price)	(0.20)	(0.10)	(0.03)
Return after operating charges*	12.47	17.10	7.06
Distributions on income units	(2.48)	(2.03)	(1.67)
Closing net asset value per unit	109.46	99.47	84.40
* after direct transaction costs of:	0.36	0.48	0.61

Performance

Return after charges	12.54%	20.26%	8.94%
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Other Information

Closing net asset value (£)	78,183,814	61,281,275	33,759,558
Closing number of units	71,424,056	61,610,514	40,000,718
Operating charges†	0.19%	0.11%	0.04%
Direct transaction costs	0.35%	0.54%	0.73%

Prices

Highest unit price	112.10p	103.50p	90.13p
Lowest unit price	95.71p	77.76p	71.56p

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Manager's Investment Report

During the year under review, the Trust's R-Class distribution units rose by 10.08%, while the FTSE All-Share Index rose by 9.80% on a capital only basis (Source: Bloomberg).

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Market/Economic Review

Global economic activity has improved markedly over the review year. The recovery has been particularly strong in the manufacturing sector, accompanied by an upturn in global trade volumes, although recent data suggests this has now peaked with inventories starting to rise from a low level. Higher commodity prices over the second half of 2016 have been reflected in rising consumer price inflation in the major developed economies. While the global recovery has been broad-based, it has been led by the US where growth accelerated during the latter half of 2016 driven by consumer demand.

In the UK, whilst both economic and political uncertainty have heightened over the review year, particularly as the June general election resulted in a hung parliament and Brexit negotiations began, UK economic indicators have exceeded expectations. The Bank of England left interest rates at a historic low of 0.25%. Both the European Central Bank and the Bank of Japan continued with the unorthodox policy of negative interest rates.

In recent months, European economic indicators have highlighted a significant improvement in both manufacturing and service sector activity, while in Japan exports have been a significant contributor to growth.

Trust Review

The Trust delivered a positive return over the review year despite an early period of negative performance. Sector allocation was initially detrimental, led by an underperforming technology sector and an underweight position in the energy sector as oil prices rallied.

Strong stock selection helped drive performance throughout the rest of the period, helped by positions in the technology and consumer services sectors. In the early months of 2017, the aforementioned energy underweight position came to benefit relative returns.

Over the summer, our holdings in the consumer discretionary, telecommunications and healthcare sectors were particularly beneficial to the Trust's performance. Sector allocation was also positive, helped by our overweight position in the financial and technology sectors.

In terms of trading activity, we initiated a number of new positions.

Manager's Investment Report continued

Notable additions include the Anglo-Swiss commodity giant Glencore and development company Cairn Energy. Given the structural opportunities for growth, we also introduced Wizz Air and Bayer to the Trust. On the flipside, following a period of strong performance we took the decision to exit the positions in Micro Focus and Countryside Properties.

Outlook

We believe Sterling continues to look undervalued, however this may continue to be the case throughout the Brexit process. Given the current investment sentiment towards the UK, we believe this is a stock picker's market, one where we can identify both value and growth opportunities for active management to outperform.

Legal & General Investment Management Limited

(Investment Adviser)

5 October 2017

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, through 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	£500
F-Class	£500
I-Class	£1,000,000
L-Class	£100,000

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.

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 unitholders to understand how the Trust has performed during the year under review and how it is invested at the year 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.

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

Significant Changes

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 Trust. 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.

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

Northern Trust Global Services Limited

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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