Distribution Number 45

Legal & General UK Select Equity Fund

Interim Manager's Short Report for the period ended 31 March 2018

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Legal & General

Investment Objective and Policy

The Fund aims to generate growth by investing predominantly in shares of UK companies. The Fund currently has a target to outperform the FTSE All Share Index (the "Index") by 1.25% per annum before charges, measured over rolling three year periods.

The investment policy is to manage the Fund actively, but with reference to the Index.

The Fund invests its assets predominantly in a broad range of shares of UK companies. These are companies that are incorporated or headquartered or which have their principal business activities in the UK. The Fund may also invest in collective investment schemes and hold shares in other UK listed companies.

The Fund's portfolio will be concentrated.

The Fund may use derivatives for efficient portfolio management to reduce risk or cost, or to generate additional capital or income with no, or an acceptably low, level of risk.

The Fund may also invest in cash or deposits.

Risk Profile

Market risk

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

Currency risk

This Fund can hold investments denominated in foreign currencies. The performance of the Fund may therefore be affected by changes in exchange rates. This risk may be managed by the use of forward currency contracts, which aim to manage the effect of changing exchange rates.

Fund Facts

Period End Dates for Distributions:		31 Mar, 30 Sep
Distribution Dates:		31 May, 30 Nov
Ongoing Charges Figures:	31 Mar 18	30 Sep 17
R-Class	1.68%	1.68%
A-Class	1.38%	1.38%
F-Class	1.18%	1.18%
I-Class	0.79%	0.79%

The Ongoing Charges Figure (OCF) is the ratio of the Fund's total discloseable costs (excluding overdraft interest) and all costs suffered through holdings in underlying Collective Investment Schemes, to the average net assets of the Fund.

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.

Risk and Reward Profile

Lower risk						Higher risk
Potentially lower rewards						Potentially higher rewards
1	2	3	4	**5**	6	7

- This risk and reward profile is based on historical data which may not be a reliable indication of the Fund's risk and reward category in the future.
- The category number highlighted above reflects the rate at which the Fund’s unit price has moved up and down in the past. If the Fund 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.
- This Fund 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 Fund’s category is not guaranteed to remain the same and may change over time.
- Even a fund in the lowest category is not a risk free investment.

Distribution Information

R-Class
The distribution payable on 31 May 2018 is 2.8941p per unit for accumulation units.

A-Class
The distribution payable on 31 May 2018 is 3.4349p per unit for accumulation units.

F-Class
The distribution payable on 31 May 2018 is 3.8467p per unit for accumulation units.

I-Class
The distribution payable on 31 May 2018 is 4.0396p per unit for distribution units and 4.6079p per unit for accumulation units.

Net Asset Values and Units in Issue

Class	Net Asset Value (£)	Units in Issue	Net Asset Value per Unit (p)
R-Class			
Accumulation Units	990,708	292,975	338.15
A-Class			
Accumulation Units	384,884,143	113,141,530	340.18
F-Class			
Accumulation Units	952	274	347.45
I-Class			
Distribution Units	81,438	26,687	305.16
Accumulation Units	47,621,653	13,399,675	355.39

Past performance is not a guide to future performance.

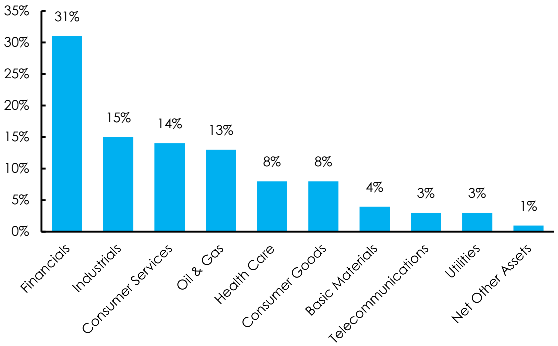
The price of units and any income from them may go down as well as up.

Portfolio Information

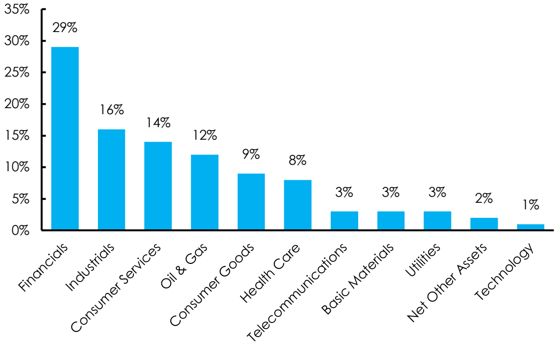
The top 10 holdings and their associated weighting at the current period end and preceding year end were:

Top 10 Holdings at 31 March 2018		Top 10 Holdings at 30 September 2017	
Holding	**Percentage of Net Asset Value**	**Holding**	**Percentage of Net Asset Value**
BP	6.79%	BP	6.32%
Royal Dutch Shell 'B'	6.60%	Royal Dutch Shell 'B'	6.16%
British American Tobacco	4.75%	British American Tobacco	5.03%
HSBC	4.60%	HSBC	4.89%
GlaxoSmithKline	4.34%	GlaxoSmithKline	4.17%
Schroder UK Smaller Companies 'I' Income	4.34%	Schroder UK Smaller Companies 'I' Income	3.98%
Tesco	3.35%	Aviva	3.22%
Aviva	3.33%	Lloyds Banking Group	3.04%
Rio Tinto	3.33%	AstraZeneca	3.01%
Lloyds Banking Group	3.13%	Rio Tinto	2.99%

Fund Holdings as at 31 March 2018



Fund Holdings as at 30 September 2017



Manager's Investment Report

During the six-month period under review, the Fund's A-Class accumulation units fell by 2.91%, whilst the FTSE All-Share Index fell by 2.24% 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

UK equities fell sharply at the period end, as gilt yields rose in line with a sell-off in global bonds. Bond yields rose amid signs that the world economy is moving from the recovery to expansion phase of the economic cycle, with a consequent increase in inflationary pressures and tighter monetary policy. As bond yields rose there was a rotation away from more stable and defensive areas of the market where valuations generally remain full. Sterling strengthened as the Bank of England raised interest rates for the first time since November 2007. While UK economic growth remained sluggish, it continued to surpass low expectations; in its February inflation report the Bank nudged up its growth forecast for 2018. Meanwhile, there was further progress with Brexit negotiations culminating in an initial agreement struck at the end of the period on the terms of a transition period after the UK formally exits the EU.

Fund Review

Fidessa Group's share price performed well on the back of strong results and a subsequent recommended bid from Swiss peer Temenos at a significant premium to our target price. A key tenet of our investment thesis was that the market was overlooking the potential for margin expansion at Fidessa Group, so it was encouraging to hear a change in tone from management.

Electronic markets and post trade business NEX Group was the single largest contributor to relative returns. The company delivered a robust Q3 trading update, with a cautiously optimistic outlook for the current financial year. Subsequent to the trading update, CME Group bid for the company at a substantial premium to the pre-bid price.

Education business Pearson was another top contributor, following reassuring full-year results. While the North American higher education business is expected to drag on sales for at least two more years, improved trading in other businesses should return Pearson to organic growth by 2019. Cost savings are also due, as management accelerates the digital transition and take further steps to simplify the business as part of a series of self-help measures. Despite the progress achieved, the shares remain deeply out of favour and, in our opinion, continue to represent a compelling long-term valuation opportunity.

Support services group Capita Group fell sharply following a profit warning. While trading for 2017 was in line with expectations, the new CEO guided profit expectations down for 2018. Market sentiment was also impacted by a decision to suspend dividends and conduct a rights issue in order to further strengthen the balance sheet. Management also announced a new transformation programme; aiming to materially improve performance over the medium term.

Cobham performed poorly after it announced the sale of the AvComm and Wireless divisions for more than £300 million. The market focused on the dilutive impact on earnings per share rather than the benefits to the balance sheet of this early stage, management-led turnaround.

In terms of activity, we sold our residual holding in Debenhams due to balance sheet concerns and initiated a new position in Anglo American. We also added to some existing portfolio holdings that we believe offer significant value, such as GlaxoSmithKline, Barclays and Pearson.

Outlook

After a prolonged period of loose monetary policy, the rhetoric from central banks has changed and policy normalisation is underway. With robust global economic growth forecasts, low levels of unemployment and inflationary pressures building, it is likely that central banks will continue to tighten policy. Further interest rate rises are forecast in the US and UK, while central banks globally are expected to turn net sellers of bonds as they start to unwind quantitative easing. This presents a different backdrop to equity markets than at any stage post the financial crisis and we believe this is likely to drive a change in sector leadership. A backdrop of rising bond yields should favour shares on lower valuations over those pricing in higher growth and/or lower volatility on elevated valuations. Consequently, the Fund has limited exposure to these areas. Instead we favour the lowly-valued areas where we feel there is potential for positive change in the years ahead.

Schroder Investment Management
(Investment Adviser)
24 April 2018

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.

Minimum Investment Amounts

The minimum initial lump sum investment amounts for each class are as follows:

R-Class	£20
A-Class	£20
F-Class	£20
I-Class	£1,000,000

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 Fund 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

Other Information

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

Significant Changes

Change of Auditor

With effect from 28 April 2018, PricewaterhouseCoopers LLP ceased to be Independent Auditors of the Fund and KPMG LLP have been appointed. The change of Auditor has no impact on the way the Fund is operated.

Authorised Fund Manager
Legal & General (Unit Trust Managers) Limited
Registered in England and Wales No. 01009418
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Authorised and regulated by the Financial Conduct Authority

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

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