

Legal & General UK Special Situations Trust
**Interim Manager's
Short Report
for the period ended
14 March 2018**

**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.

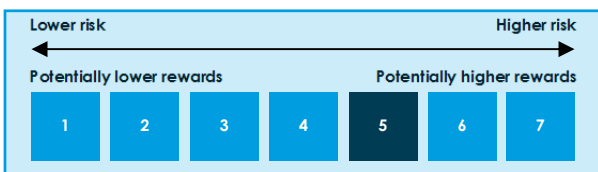
Trust Facts

Period End Dates for Distributions:	14 Mar, 14 Sep	
Distribution Dates:	14 May, 14 Nov	
Ongoing Charges Figures:	14 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 discloseable 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 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.

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.

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.

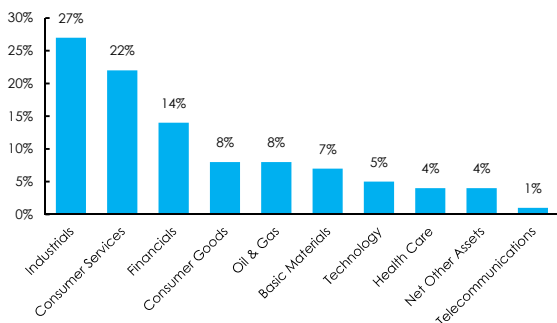
Exchange rate changes may cause the value of any overseas investments to rise or fall.

Portfolio Information

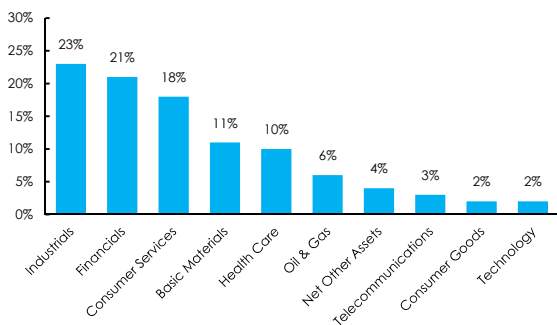
The top 10 holdings and their associated weighting at the current period end and preceding year end were:

Top 10 Holdings at 14 March 2018		Top 10 Holdings at 14 September 2017	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
Prudential	5.16%	Prudential	4.73%
Urban & Civic	4.76%	DCC	4.52%
Melrose Industries	4.76%	NMC Health	4.49%
GVC	4.48%	Playtech	4.29%
BP	4.39%	Bayer	4.28%
DCC	4.22%	St James's Place	4.09%
Playtech	4.12%	Carnival	4.02%
British American Tobacco	3.91%	Royal Dutch Shell 'B'	3.99%
Glencore	3.87%	CRH	3.96%
Wizz Air	3.85%	GVC	3.89%

Trust Holdings as at 14 March 2018



Trust Holdings as at 14 September 2017



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).

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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

Manager's Investment Report continued

impact of industry consolidation on suppliers. While the headline GVC/Ladbroke's 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

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, though 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
C-Class	£20,000,000
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.

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.

Other Information

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

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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.

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 PLC

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

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London SE1 2RT

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Financial Conduct Authority**

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