

Legal & General
UK Smaller Companies Trust
**Annual Manager's
Short Report**
**for the year ended
18 June 2017**

**EVERY
DAY
MATTERS.®**



Investment Objective and Policy

The investment objective of this Trust is to maximise capital growth from a portfolio of UK securities, which will largely consist of smaller companies, which may be selected from all economic sectors.

The Manager's policy for putting this into effect will be to invest primarily in those companies that comprise the lowest 10% by capitalisation of the main UK equity markets.

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.

The Trust can invest in securities which are issued by smaller companies and, therefore, there is likely to be increased volatility in price movements. The securities may also be less liquid than securities on larger exchanges which are generally traded more frequently.

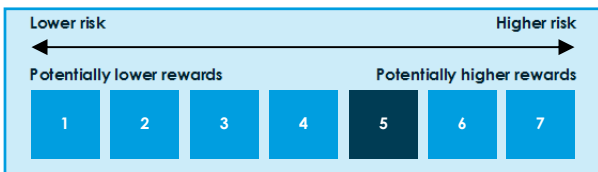
Trust Facts

Period End Dates for Distributions:	18 Dec, 18 Jun	
Distribution Dates:	18 Feb, 18 Aug	
Ongoing Charges Figures:	18 Jun 17	18 Jun 16
R-Class	1.77%	1.70%
E-Class	1.77%	1.70%
F-Class	1.27%	1.20%
I-Class	0.88%	0.81%

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 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 18 August 2017 is 2.6500p per unit for distribution units and 2.9568p per unit for accumulation units.

E-Class

The distribution payable on 18 August 2017 is 2.6500p per unit for distribution units and 2.9568p per unit for accumulation units.

F-Class

The distribution payable on 18 August 2017 is 5.0156p per unit for distribution units and 5.7004p per unit for accumulation units.

I-Class

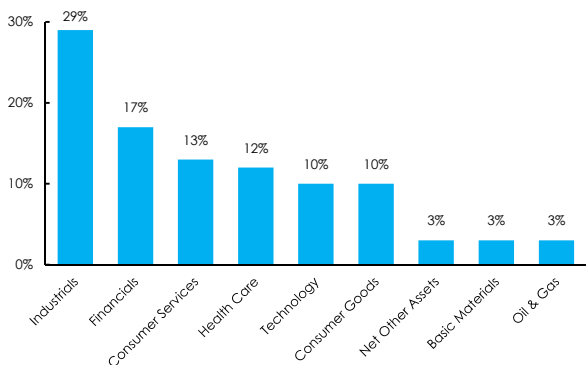
The distribution payable on 18 August 2017 is 6.8067p per unit for distribution units and 7.8886p per unit for accumulation units.

Portfolio Information

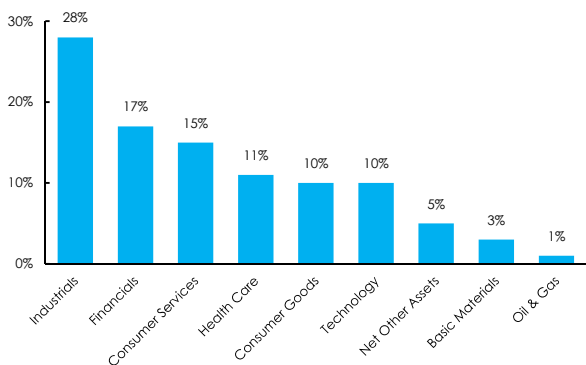
The top 10 holdings and their associated weighting at the current and preceding year ends were:

Top 10 Holdings at 18 June 2017		Top 10 Holdings at 18 June 2016	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
Safestore	3.75%	Safestore	3.21%
First Derivatives	3.23%	First Derivatives	2.73%
Cranswick	3.06%	Cranswick	2.45%
Northgate	2.73%	Vectura	2.36%
Dechra Pharmaceuticals	2.42%	Keller	2.28%
Crest Nicholson	2.21%	Northgate	2.26%
Keller	2.14%	Crest Nicholson	2.25%
Workspace Group	2.14%	RPC Group	2.20%
Senior	2.11%	Ted Baker	1.95%
Hill & Smith	2.10%	Senior	1.92%

Trust Holdings as at 18 June 2017



Trust Holdings as at 18 June 2016



Comparative Tables

R-Class Distribution Units

Change in Net Asset Value per Unit

Accounting year ending	18/06/17 (pence per unit)	18/06/16 (pence per unit)	18/06/15 (pence per unit)
Opening net asset value per unit	790.73	835.65	727.98
Return before operating charges*	138.74	(26.34)	123.41
Operating charges (calculated on average price)	(14.85)	(14.00)	(12.58)
Return after operating charges*	123.89	(40.34)	110.83
Distributions on income units	(5.03)	(4.58)	(3.16)
Closing net asset value per unit	909.59	790.73	835.65
* after direct transaction costs of:	0.32	0.90	0.70

Performance

Return after charges	15.67%	(4.83)%	15.22%
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Other Information

Closing net asset value (£)	58,007,562	54,160,941	62,557,006
Closing number of units	6,377,309	6,849,464	7,486,072
Operating charges†	1.77%	1.70%	1.67%
Direct transaction costs	0.04%	0.11%	0.09%

Prices

Highest unit price	990.20p	916.80p	906.90p
Lowest unit price	711.60p	760.10p	677.50p

† 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.

Comparative Tables continued

R-Class Accumulation Units

Change in Net Asset Value per Unit

Accounting year ending	18/06/17 (pence per unit)	18/06/16 (pence per unit)	18/06/15 (pence per unit)
Opening net asset value per unit	879.27	923.96	801.88
Return before operating charges*	154.44	(29.20)	135.88
Operating charges (calculated on average price)	(16.55)	(15.49)	(13.80)
Return after operating charges*	137.89	(44.69)	122.08
Distributions	(5.62)	(5.05)	(3.48)
Retained distributions on accumulation units	5.62	5.05	3.48
Closing net asset value per unit	1,017.16	879.27	923.96
* after direct transaction costs of:	0.36	0.99	0.76

Performance

Return after charges	15.68%	(4.84)%	15.22%
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Other Information

Closing net asset value (£)	19,016,411	17,733,063	18,482,864
Closing number of units	1,869,565	2,016,791	2,000,399
Operating charges†	1.77%	1.70%	1.67%
Direct transaction costs	0.04%	0.11%	0.09%

Prices

Highest unit price	1,104.00p	1,051.00p	999.50p
Lowest unit price	791.10p	841.70p	746.20p

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Comparative Tables continued

E-Class Distribution Units

Change in Net Asset Value per Unit

Accounting year ending	18/06/17 (pence per unit)	18/06/16 (pence per unit)	18/06/15 (pence per unit)
Opening net asset value per unit	790.73	835.65	727.98
Return before operating charges*	138.74	(26.34)	123.41
Operating charges (calculated on average price)	(14.85)	(14.00)	(12.58)
Return after operating charges*	123.89	(40.34)	110.83
Distributions on income units	(5.03)	(4.58)	(3.16)
Closing net asset value per unit	909.59	790.73	835.65
* after direct transaction costs of:	0.32	0.90	0.70

Performance

Return after charges	15.67%	(4.83)%	15.22%
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Other Information

Closing net asset value (£)	241,454,875	236,386,154	244,925,702
Closing number of units	26,545,362	29,894,573	29,285,804
Operating charges†	1.77%	1.70%	1.67%
Direct transaction costs	0.04%	0.11%	0.07%

Prices

Highest unit price	943.10p	873.10p	863.70p
Lowest unit price	711.60p	760.10p	677.50p

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Comparative Tables continued

E-Class Accumulation Units

Change in Net Asset Value per Unit

Accounting year ending	18/06/17 (pence per unit)	18/06/16 (pence per unit)	18/06/15 (pence per unit)
Opening net asset value per unit	879.27	923.96	801.88
Return before operating charges*	154.44	(29.20)	135.94
Operating charges (calculated on average price)	(16.55)	(15.49)	(13.86)
Return after operating charges*	137.89	(44.69)	122.08
Distributions	(5.62)	(5.05)	(3.48)
Retained distributions on accumulation units	5.62	5.05	3.48
Closing net asset value per unit	1,017.16	879.27	923.96
* after direct transaction costs of:	0.36	0.99	0.77

Performance

Return after charges	15.68%	(4.84)%	15.22%
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Other Information

Closing net asset value (£)	8,380,795	7,752,162	8,622,530
Closing number of units	823,944	881,660	933,216
Operating charges†	1.77%	1.70%	1.67%
Direct transaction costs	0.04%	0.11%	0.09%

Prices

Highest unit price	1,051.00p	966.90p	951.90p
Lowest unit price	791.10p	841.70p	746.20p

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Comparative Tables continued

F-Class Distribution Units

Change in Net Asset Value per Unit

Accounting year ending	18/06/17 (pence per unit)	18/06/16 (pence per unit)	18/06/15 (pence per unit)
Opening net asset value per unit	808.06	853.23	743.89
Return before operating charges*	142.09	(26.18)	125.44
Operating charges (calculated on average price)	(10.91)	(10.11)	(8.91)
Return after operating charges*	131.18	(36.29)	116.53
Distributions on income units	(9.55)	(8.88)	(7.19)
Closing net asset value per unit	929.69	808.06	853.23
* after direct transaction costs of:	0.33	0.92	0.71

Performance

Return after charges	16.23%	(4.25)%	15.66%
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Other Information

Closing net asset value (£)	595	501	529
Closing number of units	64	62	62
Operating charges†	1.27%	1.20%	1.17%
Direct transaction costs	0.04%	0.11%	0.09%

Prices

Highest unit price	965.50p	892.90p	884.60p
Lowest unit price	727.40p	777.70p	693.20p

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Comparative Tables continued

F-Class Accumulation Units

Change in Net Asset Value per Unit

Accounting year ending	18/06/17 (pence per unit)	18/06/16 (pence per unit)	18/06/15 (pence per unit)
Opening net asset value per unit	914.81	956.50	826.00
Return before operating charges*	161.24	(30.34)	140.54
Operating charges (calculated on average price)	(12.39)	(11.35)	(10.04)
Return after operating charges*	148.85	(41.69)	130.50
Distributions	(10.83)	(10.00)	(8.01)
Retained distributions on accumulation units	10.83	10.00	8.01
Closing net asset value per unit	1,063.66	914.81	956.50
* after direct transaction costs of:	0.37	1.03	0.79

Performance

Return after charges	16.27%	(4.36)%	15.80%
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Other Information

Closing net asset value (£)	60,682	19,577	18,537
Closing number of units	5,705	2,140	1,938
Operating charges†	1.27%	1.20%	1.17%
Direct transaction costs	0.04%	0.11%	0.09%

Prices

Highest unit price	1,099.00p	1,003.00p	985.30p
Lowest unit price	823.30p	874.20p	769.90p

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

Comparative Tables continued

I-Class Distribution Units

Change in Net Asset Value per Unit

Accounting year ending	18/06/17 (pence per unit)	18/06/16 (pence per unit)	18/06/15 (pence per unit)
Opening net asset value per unit	807.52	853.45	743.50
Return before operating charges*	142.11	(26.81)	126.39
Operating charges (calculated on average price)	(7.55)	(6.83)	(6.06)
Return after operating charges*	134.56	(33.64)	120.33
Distributions on income units	(12.97)	(12.29)	(10.38)
Closing net asset value per unit	929.11	807.52	853.45
* after direct transaction costs of:	0.33	0.92	0.72

Performance

Return after charges	16.66%	(3.94)%	16.18%
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Other Information

Closing net asset value (£)	3,450,435	3,495,385	1,698,899
Closing number of units	371,370	432,852	199,063
Operating charges†	0.88%	0.81%	0.78%
Direct transaction costs	0.04%	0.11%	0.09%

Prices

Highest unit price	966.90p	894.70p	885.70p
Lowest unit price	727.10p	777.50p	693.90p

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Comparative Tables continued

I-Class Accumulation Units

Change in Net Asset Value per Unit

Accounting year ending	18/06/17 (pence per unit)	18/06/16 (pence per unit)	18/06/15 (pence per unit)
Opening net asset value per unit	928.99	967.80	832.20
Return before operating charges*	164.19	(31.05)	142.38
Operating charges (calculated on average price)	(8.72)	(7.76)	(6.78)
Return after operating charges*	155.47	(38.81)	135.60
Distributions	(14.96)	(13.97)	(11.62)
Retained distributions on accumulation units	14.96	13.97	11.62
Closing net asset value per unit	1,084.46	928.99	967.80
* after direct transaction costs of:	0.38	1.04	0.80

Performance

Return after charges	16.74%	(4.01)%	16.29%
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Other Information

Closing net asset value (£)	4,036,593	4,013,338	1,784,276
Closing number of units	372,221	432,017	184,364
Operating charges†	0.88%	0.81%	0.78%
Direct transaction costs	0.04%	0.11%	0.09%

Prices

Highest unit price	1,120.00p	1,017.00p	996.50p
Lowest unit price	836.30p	886.50p	776.70p

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Manager's Investment Report

During the year under review, the bid price of the Trust's R-Class accumulation units rose by 15.81%. This compares to a rise in the benchmark (Numis Securities Smaller Companies Ex Investment Trust Index) of 27.39% 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

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. A stabilisation and subsequent increase in commodity prices has been reflected in rising consumer price inflation in the major developed economies. While the recovery has been broad-based, it has been most noticeable in the US where growth accelerated during the second half of 2016 led by consumer demand. There has also been an upturn in investment spending and inventory levels, as Donald Trump's unexpected victory in the November 2016 presidential election focused investors on the prospect of increased infrastructure spending and tax cuts. The Federal Reserve has signalled a gradual tightening of monetary policy, raising interest rates in December 2016 and March 2017 and signalling two further rate hikes in 2017. However, monetary policy remained accommodating in all the major economies. After the UK unexpectedly voted to leave the European Union (EU) in the June referendum, the Bank of England cut interest rates to 0.25% and extended its asset purchase programme, known as quantitative easing (QE).

UK equities rose on the improving economic outlook. Although the unexpected result in favour of Brexit in the EU referendum last June heightened volatility, subsequent domestic economic indicators were broadly reassuring. As investors factored in the inflationary implications of US president-elect Donald Trump's proposed package of infrastructure spending and tax cuts, and Chinese economic indicators improved, shares in mining companies led the market higher. Financials also rebounded, led by banks. In contrast, sectors less sensitive to the economic outlook, such as utilities and telecommunications, underperformed. Returns from international markets were substantially enhanced for UK-based investors as Sterling plunged to a 31-year low against the US Dollar in the aftermath of the UK referendum result.

Trust Review

The review year started with a major shock to the system in the form of the UK's surprise vote to leave the European Union, which had an outsized impact on smaller companies with domestic earnings profiles as Sterling weakened. During this year, the Trust's performance suffered and underperformed the Index as stock selection weighed on relative returns. Allocations to sectors such as home construction and industrials were particularly detrimental

Manager's Investment Report continued

during this year, as was our underweight positioning in gold miners as commodity prices improved.

However, equity markets shook off UK Brexit-related concerns and managed to recover, bouncing back strongly from June's referendum related weakness. The Trust's performance recovered well over the year, despite a number of months of consecutive negative performance towards the end of 2016, seeing contributions from stock selection amongst the financial and healthcare sectors.

In terms of trading activity during the review year, following the referendum we added Faroe Petroleum as they began to take advantage of low-cost asset opportunities in the North Sea against a backdrop of recovering commodity prices. We sold down our positions in Greene King and Purplebricks. We also reduced our positions in commercial vehicle hire company Northgate, plastic products design firm RPC Group and research and development business Imagination Technologies.

Outlook

Equity markets appear to remain largely unmoved by recent events and global growth data remains solid. In the UK, the economy shows strong signs of resilience, however, inflation growth, is accelerating and consumer spending figures are beginning to show signs of strain. In the corporate space, there has been a notable pick-up of merger and acquisition activity including Tesco/Booker and investment managers Aberdeen/Standard Life. We also see an improvement in corporate earnings growth, but a sustained recovery is still key to further performance. Sterling continues to look undervalued though it could well remain so throughout the Brexit process with risk to the downside.

Legal & General Investment Management Limited
(Investment Adviser)

11 July 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
E-Class	£100,000
F-Class	£500
I-Class	£1,000,000

In addition, monthly contributions can be made into the R-Class and F-Class with a minimum amount of £50 per month.

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.

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**

Legal & General
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