Distribution Number 8

Legal & General Real Income Builder Fund

Annual Manager's Short Report for the year ended 31 December 2018

Legal & General

Investment Objective and Policy

The Fund's primary objective is to generate income which grows at the rate of inflation +4%, where income is measured on a per unit basis over three year rolling time periods.

The Fund has a secondary objective to achieve capital growth in line with income growth over the medium to long term.

The above objectives are before the deduction of any charges and assumes income is reinvested. There is no guarantee that any of the objectives will be met over any time period. Both capital and reinvested income are at risk.

The Fund will achieve its objectives by permanently investing not less than 85% of its assets in the L&G Real Income Builder Fund, a Sub-fund of the Legal & General Authorised Contractual Scheme (ACS). While it is envisaged that the Fund will normally be fully invested in the L&G Real Income Builder Fund, the Fund may also hold up to 15% of its assets in cash or near cash. The Fund will use derivatives for hedging purposes only.

Risk Profile

The Legal & General Real Income Builder Fund invests into the Legal & General Real Income Builder Fund (Sub-fund of the ACS) only. The Risk Profile of the underlying Fund is shown below:

Credit Risk

This Fund is invested in financial securities such as bonds. With these investments, there is a risk of suffering loss due to a party not meeting its financial obligations. This risk is managed by monitoring the financial stability of investments and companies, via credit ratings.

Market Risk

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

Currency Risk

This Fund holds investments in overseas financial securities. 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.

Interest Rate Risk

This Fund is invested in interest bearing securities. The performance of the Fund may therefore be affected by changes in interest rates. The active monitoring and adjustment of the investments in the portfolio manages this risk.

Fund Facts

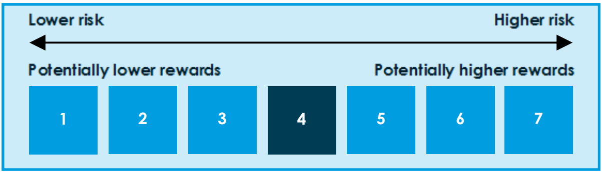
Period End Dates for Distributions:		30 June, 31 December
Distribution Dates:		28 February, 31 August
Ongoing Charges Figures:	31 Dec 18	31 Dec 17
I-Class	0.55%	0.65%
C-Class*	0.50%	N/A
L-Class	0.04%	0.14%

* See Significant Changes on page 15.

The Ongoing Charges Figure (OCF) is the ratio of the Fund's total disclosable 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



- This risk and reward indicator 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 mix of the underlying investments 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 Fund is in category four because the mix of different asset types in which the Fund invests has a balancing effect on the rate at which the Fund share price moves up and down. This type of fund is generally considered to be higher risk than one investing only in bonds and lower risk than one investing only in company shares.
- 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

I-Class

The distribution payable on 28 February 2019 is 0.5860p per unit for distribution units and 0.6275p per unit for accumulation units.

C-Class

The distribution payable on 28 February 2019 is 0.5240p per unit for distribution units and 0.5310p per unit for accumulation units.

L-Class

The distribution payable on 28 February 2019 is 0.5689p per unit for distribution units and 0.6212p per unit for accumulation units.

Portfolio Information

The Fund is solely invested in the Legal & General Real Income Builder Fund (Sub-Fund of the ACS).

Comparative Tables

I-Class Distribution Units

Change in Net Asset Value per Unit

Accounting Year ending	31/12/18 (pence per unit)	31/12/17 (pence per unit)	31/12/16 (pence per unit)
Opening net asset value per unit	57.35	54.65	51.15
Return before operating charges*	(3.13)	4.53	5.21
Operating charges (calculated on average price)	(0.31)	(0.37)	(0.33)
Return after operating charges*	(3.44)	4.16	4.88
Distributions on income units	(1.48)	(1.46)	(1.38)
Closing net asset value per unit	52.43	57.35	54.65
* after direct transaction costs of:	—	0.01	0.01

Performance

Return after charges	(6.00)	7.61%	9.54%

Other Information

Closing net asset value (£)	7,524,882	8,025,341	90,024
Closing number of units	14,353,038	13,993,892	164,731
Operating charges†	0.55%	0.65%	0.62%
Direct transaction costs	0.01%	0.01%	0.01%

Prices

Highest unit price	58.86p	58.67p	55.79p
Lowest unit price	52.72p	54.41p	48.16p

† Operating charges, otherwise known as the OCF is the ratio of the Fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Fund. Included within the OCF are synthetic costs which includes the OCF of the underlying Master Fund, weighted on the basis of its investment proportion.

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

I-Class Accumulation Units

Change in Net Asset Value per Unit

Accounting Year ending	31/12/18 (pence per unit)	31/12/17 (pence per unit)	31/12/16 (pence per unit)
Opening net asset value per unit	60.43	56.13	51.20
Return before operating charges*	(3.36)	4.68	5.26
Operating charges (calculated on average price)	(0.33)	(0.38)	(0.33)
Return after operating charges*	(3.69)	4.30	4.93
Distributions	(1.57)	(1.51)	(1.41)
Retained distributions on accumulation units	1.57	1.51	1.41
Closing net asset value per unit	56.74	60.43	56.13
* after direct transaction costs of:	—	0.01	0.01

Performance

Return after charges	(6.11)%	7.66%	9.63%

Other Information

Closing net asset value (£)	387,854	404,742	738,754
Closing number of units	683,596	669,733	1,315,121
Operating charges†	0.55%	0.65%	0.62%
Direct transaction costs	0.01%	0.01%	0.01%

Prices

Highest unit price	63.01p	60.66p	56.76p
Lowest unit price	56.44p	55.89p	48.18p

† Operating charges, otherwise known as the OCF is the ratio of the Fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Fund. Included within the OCF are synthetic costs which includes the OCF of the underlying Master Fund, weighted on the basis of its investment proportion.

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

C-Class Distribution Units

Change in Net Asset Value per Unit

Accounting Year ending	28/02/18 to 31/12/18[1] (pence per unit)
Opening net asset value per unit	50.00
Return before operating charges*	(1.78)
Operating charges (calculated on average price)	(0.21)
Return after operating charges*	(1.99)
Distributions on income units	(1.21)
Closing net asset value per unit	46.80
*after direct transaction costs of:	—

Performance

Return after charges	(3.98)%

Other Information

Closing net asset value (£)	936
Closing number of units	2,000
Operating charges†	0.50%
Direct transaction costs	0.01%

Prices

Highest unit price	52.57p
Lowest unit price	47.10p

[1] C-Class units launched on 28 February 2018.

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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

C-Class Accumulation Units

Change in Net Asset Value per Unit

Accounting Year ending	28/02/18 to 31/12/18[1] (pence per unit)
Opening net asset value per unit	50.00
Return before operating charges*	(1.79)
Operating charges (calculated on average price)	(0.21)
Return after operating charges*	(2.00)
Distributions	(1.22)
Retained distributions on accumulation units	1.22
Closing net asset value per unit	48.00
*after direct transaction costs of:	—

Performance

Return after charges	(4.00)%

Other Information

Closing net asset value (£)	960
Closing number of units	2,000
Operating charges†	0.50%
Direct transaction costs	0.01%

Prices

Highest unit price	53.28p
Lowest unit price	47.73p

[1] C-Class units launched on 28 February 2018.

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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

L-Class Distribution Units

Change in Net Asset Value per Unit

Accounting Year ending	31/12/18 (pence per unit)	31/12/17 (pence per unit)	31/12/16 (pence per unit)
Opening net asset value per unit	55.60	52.70	49.13
Return before operating charges*	(3.05)	4.38	4.98
Operating charges (calculated on average price)	(0.02)	(0.08)	(0.06)
Return after operating charges*	(3.07)	4.30	4.92
Distributions on income units	(1.44)	(1.40)	(1.35)
Closing net asset value per unit	51.09	55.60	52.70
* after direct transaction costs of:	—	0.01	0.01

Performance

Return after charges	(5.52)%	8.16%	10.01%

Other Information

Closing net asset value (£)	128,236,649	139,556,832	10,540,148
Closing number of units	251,019,909	251,019,909	20,002,000
Operating charges†	0.04%	0.14%	0.11%
Direct transaction costs	0.01%	0.01%	0.01%

Prices

Highest unit price	57.25p	56.71p	53.74p
Lowest unit price	51.34p	52.51p	46.25p

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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

L-Class Accumulation Units

Change in Net Asset Value per Unit

Accounting year ending	31/12/18 (pence per unit)	31/12/17 (pence per unit)	31/12/16 (pence per unit)
Opening net asset value per unit	59.77	55.23	50.13
Return before operating charges*	(3.35)	4.62	5.16
Operating charges (calculated on average price)	(0.02)	(0.08)	(0.06)
Return after operating charges*	(3.37)	4.54	5.10
Distributions	(1.56)	(1.48)	(1.39)
Retained distributions on accumulation units	1.56	1.48	1.39
Closing net asset value per unit	56.40	59.77	55.23
* after direct transaction costs of:	—	0.01	0.01

Performance

Return after charges	(5.64)%	8.22%	10.17%

Other Information

Closing net asset value (£)	50,113,036	47,477,526	223,864,896
Closing number of units	88,859,083	79,436,245	405,332,786
Operating charges†	0.04%	0.14%	0.11%
Direct transaction costs	0.01%	0.01%	0.01%

Prices

Highest unit price	62.52p	59.95p	55.80p
Lowest unit price	56.07p	55.04p	47.21p

† Operating charges, otherwise known as the OCF is the ratio of the Fund's total disclosable costs (excluding overdraft interest) to the average net assets of the Fund. Included within the OCF are synthetic costs which includes the OCF of the underlying Master Fund, weighted on the basis of its investment proportion.

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

Manager's Investment Report

The L&G Real Income Builder Fund is ('Master Fund'), sub-fund of the ACS an actively managed, bottom-up outcome orientated strategy. The Fund's primary objective is to grow income per unit at UK CPI +4% p.a., measured over three year rolling time periods, assuming income is reinvested. The secondary objective is to grow capital in line with income, with total returns exceeding UK CPI +4%. Additionally, the Fund aims to have less than two-thirds of the equity market risk with a focus on capital preservation.

During the review year, the Fund achieved 6.68% income growth[1] on the L-Class Accumulation units, once again exceeding the income growth UK CPI+4% objective that was 6.09% in 2018. Over the last three years annualised income growth has been 8.55%, exceeding the UK CPI+4% objective of 5.72%. Impacted by weak global equity markets in the fourth quarter, the bid price of the Fund's L-Class Accumulation units fell by 5.67% during the review year.

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The value of investments and any income from them may go down as well as up.

Market/Economic Review

Monetary policy continued to tighten globally with the Federal Reserve continuing to raise US interest rates and both the European Central Bank and the Bank of Japan slowing down their rate of quantitative easing. Announcements from President Trump continued to raise geopolitical uncertainty and US tariff announcements followed by European and Chinese retaliatory measures heightened concerns about the risk of a significant trade war. During the year, fears of a more structural economic slowdown in China have also grown. Following an initial appreciation at the start of 2018, Sterling has depreciated since the second quarter on concerns about the status of the Brexit negotiations and the strength of the UK economy.

Against this backdrop, the net total return from MSCI World Index was -8.71% in US Dollars during 2018, with strong tailwinds from global economic growth and corporate earnings growth offset by concerns about a trade war and other geopolitical risks, combined with tightening global liquidity. In Sterling terms, the MSCI World Index net total return was down 3.31%, with the weakness in Sterling mitigating the declines in the market, and the total return for the FTSE 100 Index was -8.73%. During the first nine months of the year, the market had drifted higher given the resilient growth and corporate earnings environment with Growth stocks meaningfully outperforming Value names (MSCI World Growth Index total return 10.29% in USD for 9M 2018 versus Value equivalent 0.53%). The final quarter of the year saw an abrupt change of sentiment, with all prior gains in the year eliminated with

[1] Income growth estimated from strategy level income growth data.

Growth names underperforming the market (MSCI World Growth Index total return -15.44% for Q4 2018 versus Value equivalent -11.25%). At a sector level, the weak market performance favoured defensive sectors like Healthcare (MSCI World Health Care Index +3.10% in USD) and Utilities (+2.86%) over more cyclical areas of the market like Financials (-16.44%) and Materials (-16.31%), hindered by slowing growth expectations and a re-appraisal of long term yields.

In the UK bond markets, gilt yields were somewhat volatile during the year but ultimately trendless with the UK 10 year government bond yield finishing the year within a few basis points of where it started, despite two significant periods of rising yields during the year. On the other hand, Sterling credit spreads did widen through the year, matching the widening of investment grade spreads observed in other regions.

Fund Review

Fund income growth of 6.68% was broadly in line with expected performance exceeding the fund objective to achieve UK CPI+4% equivalent to 6.09% in 2018. The adverse market environment hampered capital growth during the year, in particular in the value and high dividend companies favoured by the strategy.

The Master Fund invests predominantly in global equities with the balance invested in high quality bonds. Each security selected for the Master Fund meets a disciplined 'quality at an attractive valuation' philosophy, and contributes to the income growth and total return objectives. The investment process is research-led, based on fundamental analysis and evidence-gathering.

The largest contributor to total returns was the equity holding in Orsted (+32.7%, +103bps), the Danish owner and operator of offshore wind farms. Following fears that the curtailment of subsidies for offshore wind would prevent future growth, Orsted have demonstrated that projects can be profitable without subsidy whilst there is potential for international deployment of offshore wind technology, such as in the North East seaboard of the United States. In our view, Orsted's competitively advantaged position of owning seabed rights in key locations and extensive experience of project development will enable the business to continue to profitably deploy capital.

The biggest detractor was the equity position in BBA Aviation (-35.60%, -91bps); the shares sold off sharply in the second half of the year due to concerns over a cyclical slowdown in Business & General Aviation (B&GA) in the key US market and poor communication of an IT investment program which will weigh on profit in the short term. Whilst the B&GA market has slowed from 2% growth in movements in H1 to flattish in H2, we don't see any signs of impending collapse and believe the market has overreacted to the weakness. We think BBA Aviation has many levers to pull to improve profitability in the long term and that this is not adequately reflected in the current equity FCF yield of nearly 9%.

During the year, we have focused on re-orientating the portfolio to higher quality businesses which we view as attractively valued. As a result of this emphasis on quality at attractive valuation during the year we sold our positions in Amadeus, Coty, National Grid, Novozymes, Pandora, Philip Morris, Saga, Samsonite, TD Ameritrade and UPS – in each case our updated research view has either led us to question the quality of the business in light of recent industry changes or view the business as fully valued given our current understanding of the earnings potential. In re-deploying the capital, consistent with the same philosophy, we have started new positions in Analog Devices, Bunzl, Charles Schwab, Ferguson, ISS, Medtronic, Synchrony Financial and TE Connectivity.

On the bond side, we sold our positions in Aroundtown, Gatwick Airport, Thames Water '27s, Prologis, Westfield, Friends Provident and Compass Group and purchased a number of UK gilts and credits issued by UBS and Becton Dickinson. These transactions were triggered by relative value considerations and had the overall effect of modestly reducing the average credit spread and duration of our bond holdings.

Outlook

As we enter 2019 the economic environment has become more uncertain; while many commentators and investors are fearful of an imminent global recession, macroeconomic data in conjunction with company commentary suggest we are seeing a slowdown to more normalised levels of growth after a period of excess growth in 2017/2018. We will continue to monitor the situation given that consumer and corporate confidence can quickly wane, and there is always a risk that recession concerns can become self-fulfilling.

We continue to be agnostic about the direction of the macro economy and the markets, focusing on the quality of the companies we invest in with our research concentrating on the predictability and sustainability of their business models and earnings. In the current market, we are seeing attractive opportunities in select good quality cyclical companies in the industrial, technology and financial sectors that sold off heavily on fears of a deteriorating environment at the tail end of 2018. In addition we are continuing to find companies in the more macro economically insensitive sectors whose quality and value are unappreciated by the market.

Within the portfolio, we continue to hold a number of positions with exposure to the UK, investors remain concerned about the range of potential outcomes from Brexit, however we seek to take a long term view about the potential of the companies we invest in, currently seeing the long term prospects of certain UK stocks and sectors as brighter than their valuation gives them credit for.

On the fixed income side, we continue to maintain short duration given the limited term premium available in the market however we are re-evaluating credit risk having seen spreads widen over the last year potentially offering more attractive opportunities in the corporate bond space.

We remain confident on the ability of the fund to deliver income growth exceeding the CPI +4% objective, supported by continued dividend increases at the companies held in the portfolio. In addition, we observe that global equity valuations have de-rated significantly over the last 12 months, which should be supportive to future real returns in the longer-term leaving the fund better positioned to deliver its total return objective.

Legal & General Investment Management Limited
(Investment Adviser of the Legal & General
Real Income Builder Fund, Sub-fund of the ACS)
23 January 2019

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 Fund. 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 Fund in the form of a payment from the Manager. This provides an enhanced return to the Fund, 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:

I-Class	£100,000,000
C-Class	£20,000,000
L-Class	£100,000

C-Class units are available to certain eligible investors who meet the criteria for investment in such units as outlined in the share class policy of the Manager, which is available to investors in the C-Class upon request. Where investors in the C-Class no longer continue to meet the criteria for investment in such units, further investment in such units may not be permitted.

L-Class is only available to Legal & General group clients.

Other Information

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

Significant Changes

New Unit Class: C-Class

With effect from 28 February 2018, C-Class units were launched within the Fund with accumulation and distribution units available.

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.

General Data Protection Regulation (GDPR)

Legal & General takes your privacy very seriously. Under data protection legislation, we have classified ourselves as a 'data controller'. This means that we are subject to certain obligations relating to how we process personal data. These obligations include, without limitation, providing individuals with certain information regarding how we process their personal data.

We will use the personal data you have provided to us in connection with an investment in units of Legal & General Real Income Builder Fund, including your name, age, contact details, bank account details, transactions and the invested amount, and any information regarding the dealing in units in accordance with all applicable data protection laws and our Privacy Policy which is available from 25 May 2018 at www.lgim.com/UTMprivacy (or available upon request). Our Privacy Policy sets out, amongst other things, the purpose or purposes for which your personal data is collected and intended to be processed and also contains any other information prescribed by data protection legislation.

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.

Trustee

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Independent Auditors

KPMG LLP
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