

Legal & General UK Alpha Trust
**Annual Manager's
Short Report
for the year ended
18 June 2018**

**EVERY
DAY
MATTERS.®**



Investment Objective and Policy

The investment objective of this Trust is to secure capital growth by investing in a concentrated portfolio of UK equities.

The Trust aims to invest in small to mid-cap companies by market capitalisation and also larger companies which form part of the FTSE All-Share, Fledgling and AIM indices.

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

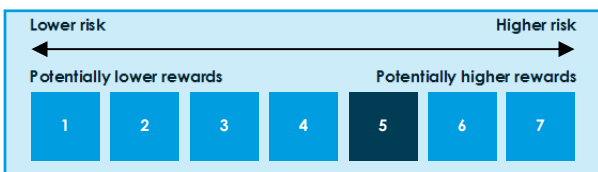
Period End Dates for Distributions:	18 Dec, 18 Jun	
Distribution Dates:	18 Feb, 18 Aug	
Ongoing Charges Figures:	18 Jun 18	18 Jun 17
R-Class	1.66%	1.77%
F-Class	1.16%	1.27%
I-Class	0.83%	0.88%
C-Class*	0.60%	N/A

*See Significant Changes on page 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 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 final distribution payable for the R-Class.

F-Class

A shortfall for the F-Class units arose because expenses exceeded the revenue of the F-Class. This being the case, there is no final distribution payable for the F-Class.

I-Class

The distribution payable on 18 August 2018 is 0.3015p per unit for accumulation units.

C-Class

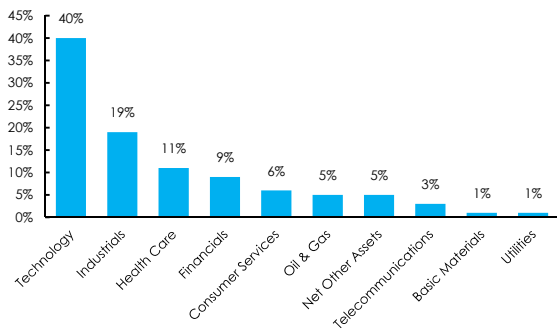
The distribution payable on 18 August 2018 is 0.1185p per unit for accumulation units.

Portfolio Information

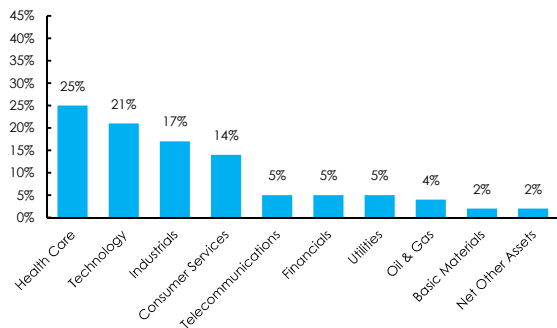
The top 10 holdings and their associated weighting at the current and preceding year ends were:

Top 10 Holdings at 18 June 2018		Top 10 Holdings at 18 June 2017	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
Seeing Machines	9.05%	First Derivatives	7.20%
First Derivatives	6.85%	Faron Pharmaceuticals	5.49%
Smart Metering Systems	5.95%	Zegona Communications	5.34%
BATM Advanced Communications	5.66%	Smart Metering Systems	5.13%
Maxcyte	5.25%	Maxcyte	4.59%
Sigma Capital Group	4.18%	Paysafe Group	4.47%
Kape Technologies	4.00%	Quantum Pharmaceutical	4.16%
eServGlobal	3.78%	Micro Focus International	3.36%
Savannah Petroleum	2.94%	BATM Advanced Communications	2.94%
Melrose Industries	2.78%	KSK Power Ventur	2.92%

Trust Holdings as at 18 June 2018



Trust Holdings as at 18 June 2017



Comparative Tables

R-Class Accumulation Units

Change in Net Asset Value per Unit

Accounting Year ending	18/06/18 (pence per unit)	18/06/17 (pence per unit)	18/06/16 (pence per unit)
Opening net asset value per unit	177.62	147.09	155.05
Return before operating charges*	14.26	33.39	(5.49)
Operating charges (calculated on average price)	(3.08)	(2.86)	(2.47)
Return after operating charges*	11.18	30.53	(7.96)
Distributions	—	—	—
Retained distributions on accumulation units	—	—	—
Closing net asset value per unit	188.80	177.62	147.09
* after direct transaction costs of:	0.13	0.12	0.35

Performance

Return after charges	6.29%	20.76%	(5.13)%
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Other Information

Closing net asset value (£)	106,504,072	113,313,545	98,825,151
Closing number of units	56,412,148	63,794,868	67,188,460
Operating charges†	1.66%	1.77%	1.70%
Direct transaction costs	0.07%	0.07%	0.24%

Prices

Highest unit price	202.70p	198.70p	169.40p
Lowest unit price	173.20p	138.50p	126.60p

† 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

F-Class Accumulation Units

Change in Net Asset Value per Unit

Accounting Year ending	18/06/18 (pence per unit)	18/06/17 (pence per unit)	18/06/16 (pence per unit)
Opening net asset value per unit	188.58	155.38	162.98
Return before operating charges*	15.20	35.38	(5.78)
Operating charges (calculated on average price)	(2.29)	(2.18)	(1.82)
Return after operating charges*	12.91	33.20	(7.60)
Distributions	—	—	—
Retained distributions on accumulation units	—	—	—
Closing net asset value per unit	201.49	188.58	155.38
* after direct transaction costs of:	0.13	0.12	0.37

Performance

Return after charges	6.85%	21.37%	(4.66)%
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Other Information

Closing net asset value (£)	21,743	69,783	53,128
Closing number of units	10,791	37,004	34,193
Operating charges†	1.16%	1.27%	1.20%
Direct transaction costs	0.07%	0.07%	0.24%

Prices

Highest unit price	215.90p	200.90p	169.70p
Lowest unit price	184.60p	146.30p	133.50p

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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

I-Class Accumulation Units

Change in Net Asset Value per Unit

Accounting Year ending	18/06/18 (pence per unit)	18/06/17 (pence per unit)	18/06/16 (pence per unit)
Opening net asset value per unit	193.21	158.55	165.62
Return before operating charges*	15.61	36.20	(5.81)
Operating charges (calculated on average price)	(1.68)	(1.54)	(1.26)
Return after operating charges*	13.93	34.66	(7.07)
Distributions	(0.44)	(0.11)	—
Retained distributions on accumulation units	0.44	0.11	—
Closing net asset value per unit	207.14	193.21	158.55
* after direct transaction costs of:	0.14	0.13	0.38

Performance

Return after charges	7.21%	21.86%	(4.27)%
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Other Information

Closing net asset value (£)	61,444,727	65,692,784	66,058,499
Closing number of units	29,663,036	33,999,877	41,665,033
Operating charges†	0.83%	0.88%	0.81%
Direct transaction costs	0.07%	0.07%	0.24%

Prices

Highest unit price	221.70p	205.80p	172.50p
Lowest unit price	189.70p	149.30p	136.00p

† 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

C-Class Accumulation Units

Change in Net Asset Value per Unit

Accounting Year ending	28/02/18 to 18/06/18 ¹ (pence per unit)
Opening net asset value per unit	50.00
Return before operating charges*	1.49
Operating charges (calculated on average price)	(0.09)
Return after operating charges*	1.40
Distributions	(0.12)
Retained distributions on accumulation units	0.12
Closing net asset value per unit	51.40
* after direct transaction costs of:	0.03

Performance

Return after charges	2.80%
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Other Information

Closing net asset value (£)	1,028
Closing number of units	2,000
Operating charges†	0.60%
Direct transaction costs	0.07%

Prices

Highest unit price	53.18p
Lowest unit price	47.06p

¹ C-Class Units launched on 28 February 2018.

† 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.

Manager's Investment Report

During the year under review, the bid price of the Trust's R-Class accumulation units rose by 6.53%. This compares with a rise in the FTSE All-Share Index of 6.88% 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

The global economic background has improved over the year under review, led by a solid growth in the major developed economies although recent indicators suggest there has been some loss of momentum, particularly in Europe. Despite a rise in commodity prices, with the oil price (Brent Crude) recovering to \$79 per barrel in May 2018, its highest level since 2014, inflationary pressures worldwide have remained subdued by historical standards.

In the UK, both economic and political uncertainty have heightened over the last 12 months, as the June general election resulted in a hung parliament and Brexit negotiations began. The UK economy grew at its slowest pace for six years during the first quarter of 2018. The Bank of England voted to increase interest rates to 0.5% in November, removing the emergency support announced in August 2016 in the wake of the EU referendum.

Although UK equities performed well in 2017, the market recorded three consecutive months of losses before rebounding strongly in April and May 2018. The market has been led higher by resources stocks, benefitting from the strength of commodity prices.

Financials have also outperformed the broader market, led by shares in insurance companies, while autos performed well driven by a hostile takeover bid from Melrose Industries for component supplier GKN, which eventually received shareholder approval. Amongst the weakest sectors were utilities and personal & household goods. These sectors are less sensitive to the economic cycle but are more closely correlated with bond markets, and tend to underperform when investors are more optimistic about the economic outlook and earnings growth prospects.

Trust Review

The Trust delivered a positive return over the review year. Sector allocation detracted from returns led by our overweight position in healthcare and technology sectors, while our lack of exposure to oil and gas majors was also unhelpful, given the sector's strength on the back of the rising oil price. We did see strong performance from some of the individual software names, while our specialist financials exposure also added value.

At the stock level, Seeing Machines made the biggest contribution. The company has benefited from secular growth in the automotive industry, where it appears we are at a tipping point for adoption of

Manager's Investment Report continued

Driver Monitoring Systems. The group has announced an acceleration of design wins which has primarily driven share price outperformance. Smart Metering Systems (SMS) continues its strong performance. SMS manages a substantial portfolio of high-yielding meter assets, which is benefitting from significant investment from the roll-out of the UK domestic smart meter programme, which is driving capital growth. First Derivatives (FDP) is another leading performer. The company is a leading provider of database analytics technology, which has an early mover advantage in big data and a sizeable market opportunity ahead of it. FDP is expanding the 'Kx' business into new industry verticals, with potential margin upside. Elsewhere, we benefited from takeovers of Quantum Pharma and Paysafe.

Faron Pharmaceuticals was the biggest detractor in the year. The shares have fallen 85% since the company reported negative data on its phase three trial for Traumakine. Our Indian holdings KSK Power Ventur and OPG Power Ventures were both weak, with growing concerns around regulation and execution in the Indian market. Micro Focus International underperformed following a profits warning around its legacy business and recently acquired HPE software. Midatech Pharma was also weak. Not owning BP or Royal Dutch Shell proved unhelpful as Brent Crude sits within touching distance of \$75 per barrel.

During the year, we initiated new positions in cloud software business Cloudcall Group, financial investment vehicle Gordon Dadds Group and industrial turnaround specialist Melrose Industries. We also added PROACTIS and Appscatter Group. On the flipside, we exited our holdings of Alfa Financial Software, CMC Markets and Saga.

Outlook

In the UK, the pound has weakened as worries over ongoing Brexit negotiations more than offset the fact that the Bank of England was more hawkish than expected, with a rate rise expected in the third quarter. The Bank of England now expects the UK economy to grow at an annualised rate of 1.4% over the quarter, rather than by 1.8% as previously estimated. The Bank of England also forecast that inflation could fall back slightly more quickly, reaching its 2% target in two years.

Legal & General Investment Management Limited
(Investment Adviser)
11 July 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	£100
F-Class	£500
I-Class	£1,000,000
C-Class	£20,000,000

In addition, monthly contributions can be made into the R-Class with a minimum amount of £20 per month 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, platforms or other distributors in relation to their investment in units in the Trust 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.

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.

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.

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.

Significant Changes

New Unit Class: C-Class

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

Change in Fund Management Fee (FMF)

With effect from 2 January 2018, the FMF for three share classes were reduced as shown below:

	Old FMF	New FMF
R-Class	1.77%	1.53%
F-Class	1.27%	1.03%
I-Class	0.88%	0.78%

Change of Auditor

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

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

KPMG LLP

15 Canada Square,

London E14 5GL

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Financial Conduct Authority**

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