

Legal & General UK Special Situations Trust  
**Annual Manager's  
Short Report**  
for the year ended  
**14 September 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.

The Trust may hold derivatives for the purposes of Efficient Portfolio Management.

## 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

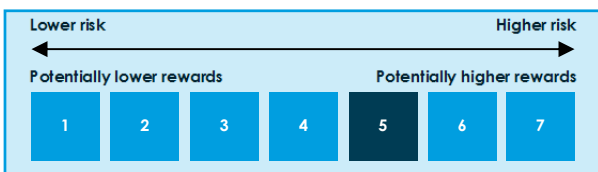
Period End Dates for Distributions:	14 Mar, 14 Sep	
Distribution Dates:	14 May, 14 Nov	
Ongoing Charges Figures:	14 Sep 18	14 Sep 17
R-Class	1.63%	1.83%
F-Class	1.13%	1.33%
I-Class	0.84%	0.94%
C-Class*	0.50%	N/A
L-Class	0.09%	0.19%

\* See Significant Changes on page 16.

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

The distribution payable on 14 November 2018 is 0.6952p per unit for distribution units and 0.7414p per unit for accumulation units.

### F-Class

The distribution payable on 14 November 2018 is 1.1732p per unit for distribution units and 1.2715p per unit for accumulation units.

### I-Class

The distribution payable on 14 November 2018 is 1.3062p per unit for distribution units and 1.4909p per unit for accumulation units.

### C-Class

The distribution payable on 14 November 2018 is 0.6870p per unit for distribution units and 0.6875p per unit for accumulation units.

### L-Class

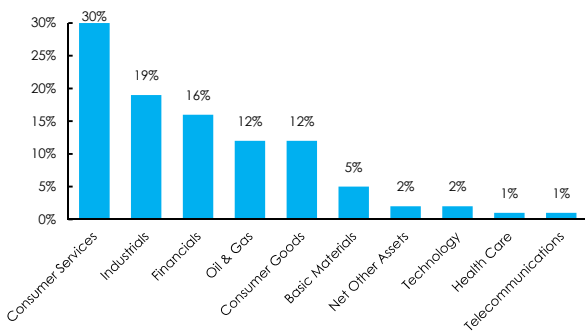
The distribution payable on 14 November 2018 is 1.7316p per unit for distribution units.

## Portfolio Information

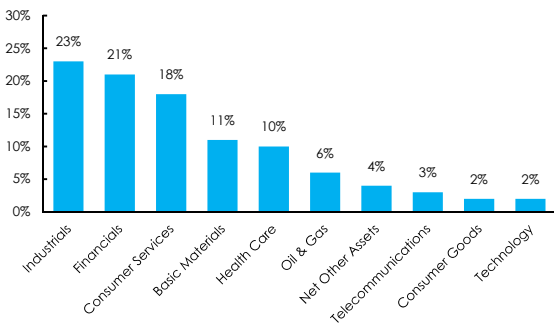
The top 10 holdings and their associated weighting at the current and preceding year ends were:

Top 10 Holdings at 14 September 2018		Top 10 Holdings at 14 September 2017	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
Prudential	4.65%	Prudential	4.73%
GVC	4.59%	DCC	4.52%
Energiean Oil & Gas	4.29%	NMC Health	4.49%
Urban & Civic	4.28%	Playtech	4.29%
DCC	4.05%	Bayer	4.28%
Melrose Industries	3.93%	St James's Place	4.09%
Wizz Air	3.89%	Carnival	4.02%
Ultra Electronics	3.74%	Royal Dutch Shell 'B'	3.99%
Carnival	3.74%	CRH	3.96%
British American Tobacco	3.54%	GVC	3.89%

## Trust Holdings as at 14 September 2018



## Trust Holdings as at 14 September 2017



## Comparative Tables

### R-Class Distribution Units

#### Change in Net Asset Value per Unit

Accounting Year ending	14/09/18 (pence per unit)	14/09/17 (pence per unit)	14/09/16 (pence per unit)
Opening net asset value per unit	108.90	98.96	83.95
Return before operating charges*	0.38	12.55	17.02
Operating charges (calculated on average price)	(1.81)	(1.89)	(1.55)
Return after operating charges*	(1.43)	10.66	15.47
Distributions on income units	(0.70)	(0.72)	(0.46)
Closing net asset value per unit	106.77	108.90	98.96
* after direct transaction costs of:	0.27	0.36	0.48

#### Performance

Return after charges	(1.31)%	10.77%	18.43%
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#### Other Information

Closing net asset value (£)	161,559,641	169,618,457	162,341,288
Closing number of units	151,319,885	155,754,960	164,041,310
Operating charges <sup>†</sup>	1.63%	1.83%	1.75%
Direct transaction costs	0.25%	0.35%	0.54%

#### Prices

Highest unit price	117.00p	116.70p	107.20p
Lowest unit price	104.90p	94.90p	76.83p

<sup>†</sup> 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.**

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

## Comparative Tables continued

### R-Class Accumulation Units

#### Change in Net Asset Value per Unit

Accounting Year ending	14/09/18 (pence per unit)	14/09/17 (pence per unit)	14/09/16 (pence per unit)
Opening net asset value per unit	115.33	104.10	87.90
Return before operating charges*	0.39	13.22	17.82
Operating charges (calculated on average price)	(1.91)	(1.99)	(1.62)
Return after operating charges*	(1.52)	11.23	16.20
Distributions	(0.74)	(0.76)	(0.48)
Retained distributions on accumulation units	0.74	0.76	0.48
Closing net asset value per unit	113.81	115.33	104.10
* after direct transaction costs of:	0.29	0.38	0.50

#### Performance

Return after charges	(1.32)%	10.79%	18.43%
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#### Other Information

Closing net asset value (£)	13,555,140	12,973,257	11,546,066
Closing number of units	11,910,497	11,248,928	11,091,237
Operating charges <sup>†</sup>	1.63%	1.83%	1.75%
Direct transaction costs	0.25%	0.35%	0.54%

#### Prices

Highest unit price	123.90p	123.00p	112.20p
Lowest unit price	111.10p	99.82p	80.45p

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## Comparative Tables continued

### F-Class Distribution Units

#### Change in Net Asset Value per Unit

Accounting Year ending	14/09/18 (pence per unit)	14/09/17 (pence per unit)	14/09/16 (pence per unit)
Opening net asset value per unit	110.33	100.27	85.09
Return before operating charges*	0.35	12.74	17.28
Operating charges (calculated on average price)	(1.27)	(1.40)	(1.12)
Return after operating charges*	(0.92)	11.34	16.16
Distributions on income units	(1.24)	(1.28)	(0.98)
Closing net asset value per unit	108.17	110.33	100.27
* after direct transaction costs of:	0.28	0.37	0.48

#### Performance

Return after charges	(0.83)%	11.31%	18.99%
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#### Other Information

Closing net asset value (£)	70,692	72,105	57,952
Closing number of units	65,354	65,354	57,796
Operating charges <sup>†</sup>	1.13%	1.33%	1.25%
Direct transaction costs	0.25%	0.35%	0.54%

#### Prices

Highest unit price	118.90p	112.70p	103.80p
Lowest unit price	106.50p	96.25p	78.04

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## Comparative Tables continued

### F-Class Accumulation Units

#### Change in Net Asset Value per Unit

Accounting Year ending	14/09/18 (pence per unit)	14/09/17 (pence per unit)	14/09/16 (pence per unit)
Opening net asset value per unit	119.49	107.31	90.18
Return before operating charges*	0.38	13.68	18.34
Operating charges (calculated on average price)	(1.38)	(1.50)	(1.21)
Return after operating charges*	(1.00)	12.18	17.13
Distributions	(1.34)	(1.38)	(1.04)
Retained distributions on accumulation units	1.34	1.38	1.04
Closing net asset value per unit	118.49	119.49	107.31
* after direct transaction costs of:	0.30	0.39	0.52

#### Performance

Return after charges	(0.84)%	11.35%	19.00%
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#### Other Information

Closing net asset value (£)	56,593	57,074	32,984
Closing number of units	47,762	47,764	30,736
Operating charges <sup>†</sup>	1.13%	1.33%	1.25%
Direct transaction costs	0.25%	0.35%	0.54%

#### Prices

Highest unit price	128.80p	121.20p	110.20p
Lowest unit price	115.40p	103.10p	82.69p

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## Comparative Tables continued

### I-Class Distribution Units

#### Change in Net Asset Value per Unit

Accounting Year ending	14/09/18 (pence per unit)	14/09/17 (pence per unit)	14/09/16 (pence per unit)
Opening net asset value per unit	109.51	99.52	84.42
Return before operating charges*	0.35	12.64	17.16
Operating charges (calculated on average price)	(0.94)	(0.98)	(0.77)
Return after operating charges*	(0.59)	11.66	16.39
Distributions on income units	(1.57)	(1.67)	(1.29)
Closing net asset value per unit	107.35	109.51	99.52
* after direct transaction costs of:	0.28	0.36	0.48

#### Performance

Return after charges	(0.54)%	11.72%	19.41%
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#### Other Information

Closing net asset value (£)	3,429,302	3,775,065	3,722,032
Closing number of units	3,194,366	3,447,104	3,740,075
Operating charges <sup>†</sup>	0.84%	0.94%	0.86%
Direct transaction costs	0.25%	0.35%	0.54%

#### Prices

Highest unit price	118.00p	111.90p	103.20p
Lowest unit price	105.70p	95.61p	77.54p

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## Comparative Tables continued

### I-Class Accumulation Units

#### Change in Net Asset Value per Unit

Accounting Year ending	14/09/18 (pence per unit)	14/09/17 (pence per unit)	14/09/16 (pence per unit)
Opening net asset value per unit	124.60	111.47	93.29
Return before operating charges*	0.39	14.23	19.05
Operating charges (calculated on average price)	(1.07)	(1.10)	(0.87)
Return after operating charges*	(0.68)	13.13	18.18
Distributions	(1.79)	(1.88)	(1.44)
Retained distributions on accumulation units	1.79	1.88	1.44
Closing net asset value per unit	123.92	124.60	111.47
* after direct transaction costs of:	0.32	0.40	0.54

#### Performance

Return after charges	(0.55)%	11.78%	19.49%
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#### Other Information

Closing net asset value (£)	7,008,669	4,230,758	2,427,329
Closing number of units	5,655,619	3,395,438	2,177,594
Operating charges <sup>†</sup>	0.84%	0.94%	0.86%
Direct transaction costs	0.25%	0.35%	0.54%

#### Prices

Highest unit price	134.60p	126.20p	114.40p
Lowest unit price	120.50p	107.10p	85.69p

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## Comparative Tables continued

### C-Class Distribution Units

#### Change in Net Asset Value per Unit

Accounting Year ending	12/12/17 to 14/09/18 <sup>1</sup> (pence per unit)
Opening net asset value per unit	50.00
Return before operating charges*	(0.96)
Operating charges (calculated on average price)	(0.19)
Return after operating charges*	(1.15)
Distributions on income units	(0.80)
Closing net asset value per unit	48.05
*after direct transaction costs of:	0.12

#### Performance

Return after charges	(2.30)%
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#### Other Information

Closing net asset value (£)	961
Closing number of units	2,000
Operating charges <sup>†</sup>	0.50%
Direct transaction costs	0.25%

#### Prices

Highest unit price	52.95p
Lowest unit price	47.36p

<sup>1</sup> C-Class Units launched on 12 December 2017.

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## Comparative Tables continued

### C-Class Accumulation Units

#### Change in Net Asset Value per Unit

Accounting Year ending	12/12/17 to 14/09/18 <sup>1</sup> (pence per unit)
Opening net asset value per unit	50.00
Return before operating charges*	(0.96)
Operating charges (calculated on average price)	(0.19)
Return after operating charges*	(1.15)
Distributions	(0.80)
Retained distributions on accumulation units	0.80
Closing net asset value per unit	48.85
*after direct transaction costs of:	0.12

#### Performance

Return after charges	(2.30)%
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#### Other Information

Closing net asset value (£)	977
Closing number of units	2,000
Operating charges <sup>†</sup>	0.50%
Direct transaction costs	0.25%

#### Prices

Highest unit price	53.07p
Lowest unit price	47.46p

<sup>1</sup> C-Class Units launched on 12 December 2017.

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## Comparative Tables continued

### L-Class Distribution Units

#### Change in Net Asset Value per Unit

Accounting Year ending	14/09/18 (pence per unit)	14/09/17 (pence per unit)	14/09/16 (pence per unit)
Opening net asset value per unit	109.46	99.47	84.40
Return before operating charges*	0.33	12.67	17.20
Operating charges (calculated on average price)	(0.10)	(0.20)	(0.10)
Return after operating charges*	0.23	12.47	17.10
Distributions on income units	(2.41)	(2.48)	(2.03)
Closing net asset value per unit	107.28	109.46	99.47
* after direct transaction costs of:	0.28	0.36	0.48

#### Performance

Return after charges	0.21%	12.54%	20.26%
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#### Other Information

Closing net asset value (£)	76,621,046	78,183,814	61,281,275
Closing number of units	71,424,056	71,424,056	61,610,514
Operating charges <sup>†</sup>	0.09%	0.19%	0.11%
Direct transaction costs	0.25%	0.35%	0.54%

#### Prices

Highest unit price	118.10p	112.10p	103.50p
Lowest unit price	105.70p	95.71p	77.76p

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## **Manager's Investment Report**

During the year under review, the Trust's R-Class distribution units fell by 1.74%, while the FTSE All-Share Index rose by 0.88% on a capital only basis. (Source: Bloomberg).

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## **Market/Economic Review**

The global economic background has improved over the past twelve months, led by 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, 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, with precariousness as to the outcome of the UK government's strategy on Brexit and the implications for trade with the European Union (EU). 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 per cent in November, removing the emergency support announced in August 2016 in the wake of the EU referendum and sanctioned a further rate hike to 0.75% in August as inflation remained above its 2% target.

Although UK equities performed well in 2017, the market recorded three consecutive months of losses before rebounding strongly during the second quarter. The market has been led higher by energy stocks, benefiting from the recovery in the oil price. Food retailers also performed well on encouraging earnings announcements, while the autos sector was driven by a hostile takeover bid from Melrose Industries for component supplier GKN which eventually received shareholder approval. Amongst the weakest sectors were utilities, food producers and telecoms. 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 negative return over the review year.

Sector allocation was positive for returns, helped by our overweight position in industrials and underweight in financials. However, towards the end of the year being underweight in the healthcare sector as well as stock selection within the sectors was a drag on performance.

## **Manager's Investment Report continued**

Airline business Wizz Air contributed well to relative returns early in the year. The company operates a virtuous cycle of low costs driving low prices, stimulating demand in underpenetrated markets and is working hard to drive market share gains. New entrant to the Trust, Whitbread benefited performance from the sale of popular high street coffee chain Costa to Coca Cola.

Detractors included Playtech in the first half of the year where sentiment had been overly negative on increased concern about the impact of industry consolidation on suppliers. In later months, British semiconductor manufacturer IQE reported lower profitability, dampening investor sentiment and resulting in significant share price losses.

In terms of trading activity, we exited positions in NMC Healthcare, St James's Place and Bayer. We added new positions in Tesco, Whitbread and tech-focused venture capital firm Draper Esprit. Shire was sold from the portfolio.

### **Outlook**

Two countervailing forces have kept markets in a holding pattern recently: growth in the global economy and company earnings, and the ascent of populist economic policies. Trade wars continue to occupy markets' attention and although there has yet to be any major fall-out, our economists do anticipate some damage to growth over the next year.

Legal & General Investment Management Limited  
(Investment Adviser)  
10 October 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](http://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	£100
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, 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.

L-Class is not available to retail customers and is intended only for investment by Legal & General group of companies.

## 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

### New Unit Class: C-Class

With effect from 12 December 2017, C-Class units have launched within the Trust with accumulation and distribution units available.

### 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%

## 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 Special Situations 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](http://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 SE

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

**Authorised and regulated by the  
Financial Conduct Authority**

Legal & General  
(Unit Trust Managers) Limited  
Registered in England and Wales No. 01009418  
Registered office:  
One Coleman Street,  
London EC2R 5AA  
[www.legalandgeneral.com](http://www.legalandgeneral.com)  
UKS1118

