

Legal & General Real Capital Builder Fund  
**Interim Manager's Report**  
**for the period ended**  
**30 June 2018**  
**(Unaudited)**



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# Manager's Investment Report

## Investment Objective and Policy

The investment objective of this Fund is to grow capital, at the rate of inflation (CPI) +4% per annum on average over a rolling five year period and to manage volatility so that it remains around two thirds of the MSCI World Index. There is no guarantee that the objective will be met over any time period and capital is at risk. This objective is before the deduction of any charges and assumes any income is reinvested.

The Fund seeks to achieve capital growth by investing mainly in equities. The Fund will also invest in fixed income securities to help manage volatility and to protect capital.

The Fund's portfolio will be concentrated.

The Fund may invest in any region of the world, including emerging markets, and in any currency.

The Fund may also invest in permitted deposits, money market instruments, cash, near cash and units in collective investment schemes. The collective investment schemes in which the Fund invests will include those managed by Legal & General.

The Fund may use derivatives for efficient portfolio management only.

## Manager's Investment Report

During the period under review since the launch of the Fund on 24 October 2017, the bid price of the Fund's I-Class distribution units rose by 0.84%. The total income earned by each I-Class distribution unit over the period under review was 0.3777p.

**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.**

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

## Market/Economic Review

Global equity indices gained ground over the review period. Although markets had closed 2017 on a strong note, reflecting a steady improvement in global economic indicators and corporate earnings growth, selling pressures subsequently emerged. Market volatility rose markedly during the first quarter of 2018, particularly as trade tensions between the US and China escalated. However, a favourable economic background and encouraging first quarter earnings enabled markets to end the period on a firmer footing. Energy stocks performed well as the oil price reached \$79 per barrel in May, its highest level since 2014. Technology and consumer discretionary stocks also performed well, boosted by encouraging earnings announcements. Financials were amongst the weakest sectors as the differential between 2-year and 10-year US Treasury bond yields reached its lowest point since 2007.

Despite closing 2017 on a positive note, UK equities faltered during the first quarter of 2018 recording three consecutive months of losses before rallying in April and May. Sterling's recent weakness has provided a boost for companies with substantial international earnings. Although the Bank of England indicated interest rates may need to be increased as soon as May, the economy grew at its slowest pace for six years during the first quarter leading the Bank to adopt a more cautious approach and leave interest rates on hold. The resources sectors have performed well, while autos were boosted by a hostile takeover bid from Melrose Industries for component supplier GKN which eventually received shareholder approval.

# Manager's Investment Report continued

## Fund Review

The portfolio composition benefited from its bond positions, which helped reduce exposure to equity risk, while relative performance of the equity allocation also generated above average returns.

At the stock level, Moncler made the biggest positive contribution. The luxury goods business continues to see stellar brand momentum, store roll-out growth and strong execution from management. Sales growth has notably been strong across all geographic regions, with stand-out performance in the Americas division. Our position in Lundin Petroleum also performed well. Against a backdrop of a rising oil price, the low-cost Norwegian producer has a good production profile and is generating healthy free cash flows. Meanwhile, the combination of strong results and US Dollar strength helped our positions in Edwards Lifescience and Mastercard. In the UK, shares in online marketplace Auto Trader rallied after the company reported a good set of results and encouraging guidance.

On the flipside, detracting from performance has been our holdings in Bharti Infratel, Leonardo and British American Tobacco. Shares in Indian telecoms business Bharti Tobacco have been weaker on the back of disappointing operating performance and weak tenancy additions. Aerospace and defense business Leonardo cut its full-year guidance at its capital market day and issued weaker free cash flow guidance. On the flipside, management are confident in the turnaround plan of its helicopter division and expect to see the group order book improve as we move further into the year. Tobacco stocks have been under pressure with the market seemingly less enthused by the growth prospects of next-generation smoking products.

In terms of activity, we introduced a new position in specialty pharmaceutical business Mylan, where we believe the market is underappreciating earnings growth from its biosimilars pipeline and the diversification of its core portfolio. Reckitt Benckiser was also added given the potential for the group to return to being one of the strongest global consumer staple companies. Much of this will be driven by the Mead Johnson acquisition and improvements in the health business. Other new positions include JP Morgan Chase, Aspen Technology, Cabot Microelectronics and Medtronic. On the flipside, we exited our position in Hilton and L Brands, following strong performance. Zynga, Leonardo and Kosmos Energy were also sold.

## Outlook

Looking ahead, we are confident that capital growth will likely exceed the fund's objective. We continue to look for growth opportunities, including technology companies and those more sensitive to business cycles.

Legal & General Investment Management Limited  
(Investment Adviser)  
3 August 2018

## Authorised Status

### Authorised Status

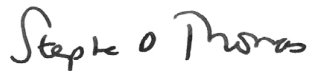
This Fund is an Authorised Unit Trust Scheme as defined in section 243 of the Financial Services and Markets Act 2000 and is a UCITS Retail Scheme within the meaning of the FCA Collective Investment Schemes sourcebook.

### Directors' Statement

We hereby certify that this Manager's Report has been prepared in accordance with the requirements of the FCA Collective Investment Schemes sourcebook.



A. J. C. Craven  
(Director)



S. D. Thomas  
(Director)

Legal & General (Unit Trust Managers) Limited  
20 August 2018

## Portfolio Statement

### Portfolio Statement as at 30 June 2018

All investments are in investment grade securities, ordinary shares or collective investment schemes unless otherwise stated. There are no comparative figures shown as the Fund launched 24 October 2017.

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	<b>CORPORATE BONDS — 24.01%</b>		
	<b>UNITED KINGDOM — 14.61%</b>		
GBP2,932,000	Anglian Water Services Financing 2.625% 15/06/2027	2,807,056	1.26
GBP3,157,000	Arqiva Financing 4.04% 30/06/2035	3,274,475	1.47
GBP1,552,000	Aviva 6.625% 03/06/2041	1,710,599	0.77
GBP3,799,000	Babcock International Group 1.875% 05/10/2026	3,548,414	1.60
GBP2,675,000	BUPA Finance 2% 05/04/2024	2,643,895	1.19
GBP2,917,000	Cadent Finance 2.125% 22/09/2028	2,757,361	1.24
GBP2,661,000	Experian Finance 2.125% 27/09/2024	2,645,580	1.19
GBP3,348,000	Imperial Brands Finance 5.5% 28/09/2026	3,955,608	1.78
GBP2,304,000	Lloyds Bank 7.625% 22/04/2025	2,966,651	1.34
GBP2,692,000	Next 5.375% 26/10/2021	2,977,923	1.34
GBP3,274,000	Northumbrian Water Finance 2.375% 05/10/2027	3,188,660	1.43
		<b>32,476,222</b>	<b>14.61</b>
	<b>CHANNEL ISLANDS — 2.35%</b>		
GBP2,744,000	Hastings Group Finance 3% 24/05/2025	2,741,242	1.23
GBP2,025,000	Heathrow Funding 7.125% 14/02/2024	2,483,825	1.12
		<b>5,225,067</b>	<b>2.35</b>
	<b>CONTINENTAL EUROPE — 2.88%</b>		
	<b>France — 1.19%</b>		
GBP2,220,000	Orange 5.25% 05/12/2025	2,658,099	1.19
	<b>Netherlands — 1.69%</b>		
GBP1,438,000	RWE Finance 6.5% 20/04/2021	1,627,628	0.73
GBP2,072,000	Volkswagen Financial Services 2.75% 02/10/2020	2,122,681	0.96
		<b>3,750,309</b>	<b>1.69</b>
	<b>NORTH AMERICA — 4.17%</b>		
	<b>Canada — 0.97%</b>		
GBP2,157,000	Royal Bank of Canada 1.125% 22/12/2021	2,144,373	0.97
	<b>Cayman Islands — 0.68%</b>		
GBP1,143,000	Yorkshire Water Services Odsal Finance 6.454% 28/05/2027	1,514,418	0.68
	<b>United States — 2.52%</b>		
GBP3,512,000	Digital Stout 3.3% 19/07/2029	3,534,817	1.59
GBP2,158,000	Wells Fargo 2% 28/07/2025	2,077,457	0.93
		<b>5,612,274</b>	<b>2.52</b>

## Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	<b>GOVERNMENT BONDS — 7.91%</b>		
	<b>UNITED KINGDOM — 7.91%</b>		
GBP2,384,000	United Kingdom Gilt 5% 07/03/2025	2,983,862	1.34
GBP2,670,000	United Kingdom Gilt 1.5% 22/07/2026	2,729,669	1.23
GBP2,975,000	United Kingdom Gilt 4.25% 07/12/2027	3,762,512	1.69
GBP2,714,000	United Kingdom Gilt 4.25% 07/06/2032	3,628,993	1.63
GBP1,896,000	United Kingdom Gilt 4.5% 07/09/2034	2,670,852	1.20
GBP1,251,000	United Kingdom Gilt 4.25% 07/09/2039	1,815,266	0.82
		<hr/> 17,591,154	<hr/> 7.91
	<b>EQUITIES — 66.55%</b>		
	<b>UNITED KINGDOM — 10.80%</b>		
1,085,212	Auto Trader Group	4,615,407	2.08
169,893	British American Tobacco	6,624,977	2.98
1,900,000	Nomura Bank International	6,342,107	2.85
102,746	Reckitt Benckiser Group	6,418,543	2.89
		<hr/> 24,001,034	<hr/> 10.80
	<b>IRELAND — 2.56%</b>		
86,492	Medtronic	5,683,412	2.56
	<b>CONTINENTAL EUROPE — 17.12%</b>		
	<b>Austria — 1.47%</b>		
57,201	ams	3,259,763	1.47
	<b>Denmark — 2.69%</b>		
169,988	Novo Nordisk	5,974,080	2.69
	<b>France — 2.71%</b>		
144,405	Valeo	6,028,098	2.71
	<b>Germany — 4.54%</b>		
99,549	Daimler	4,870,850	2.19
95,723	KION Group	5,230,623	2.35
		<hr/> 10,101,473	<hr/> 4.54
	<b>Italy — 1.75%</b>		
113,409	Moncler	3,893,247	1.75
	<b>Luxembourg — 2.24%</b>		
1,845,600	Samsonite International	4,976,667	2.24
	<b>Netherlands — 1.72%</b>		
138,317	Mylan	3,825,442	1.72
	<b>NORTH AMERICA — 30.25%</b>		
	<b>Cayman Islands — 2.36%</b>		
36,680	Alibaba Group	5,258,225	2.36
	<b>United States — 27.89%</b>		
95,301	Activision Blizzard	5,512,291	2.48



## Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
<b>United States — (cont.)</b>			
8,901	Alphabet 'A'	7,633,067	3.43
57,738	Aspen Technology	4,139,805	1.86
28,794	Cabot Microelectronics	2,318,509	1.04
140,528	Charles Schwab	5,530,425	2.49
352,396	Coty	3,746,696	1.68
26,307	Edwards Lifesciences	2,937,526	1.32
47,781	Facebook	7,135,785	3.21
104,136	Fortive	6,006,672	2.70
60,009	Honeywell International	6,536,845	2.94
64,352	JPMorgan Chase	5,139,540	2.31
36,038	Mastercard	5,404,534	2.43
		<b>62,041,695</b>	<b>27.89</b>
<b>ASIA — 5.82%</b>			
<b>Hong Kong — 3.30%</b>			
1,103,694	AIA Group	7,343,938	3.30
<b>South Korea — 2.52%</b>			
94,904	Coway	5,592,891	2.52
<b>FORWARD CURRENCY CONTRACTS</b>			
<b>— -1.89%</b>			
USD(49,204,437)	Sold US Dollars		
GBP45,000,000	for Sterling (Expires 02/08/2018) <sup>1</sup>	(4,204,437)	(1.89)
<b>Portfolio of investments<sup>2,3</sup></b>		<b>214,747,444</b>	<b>96.58</b>
<b>Net other assets<sup>4</sup></b>		<b>7,612,933</b>	<b>3.42</b>
<b>Total net assets</b>		<b>£222,360,377</b>	<b>100.00%</b>

<sup>1</sup> Unlisted securities are valued at the Manager's best assessment of their fair and reasonable value.

<sup>2</sup> Including investment liabilities.

<sup>3</sup> All investments are admitted to an official stock exchange unless otherwise stated.

<sup>4</sup> Includes £5,642,484 of nominals in the LGIM Sterling Liquidity Fund Class 1 which is shown as a cash equivalent in the balance sheet of the Fund.

Total purchases for the period: £141,512,629.

Total sales for the period: £114,311,675.

## Financial Statements

### Statement of Total Return for the period ended 30 June 2018

	£	24/10/17 to 30/06/18 <sup>1</sup> £
<b>Income</b>		
Net capital gains		542,237
Revenue	2,899,973	
Expenses	(117,467)	
Interest payable and similar charges	(14,586)	
<b>Net revenue before taxation</b>	<u>2,767,920</u>	
Taxation	(356,153)	
<b>Net revenue after taxation for the period</b>		<u>2,411,767</u>
<b>Total return before distributions</b>		2,954,004
Distributions		<u>(2,411,767)</u>
<b>Change in net assets attributable to Unitholders from investment activities</b>		<u><b>£542,237</b></u>

### Statement of Change in Net Assets attributable to Unitholders for the period ended 30 June 2018

	£	24/10/17 to 30/06/18 <sup>1</sup> £
Opening net assets attributable to Unitholders		—
Amounts received on issue of units	28,283,461	
Amounts received on in-specie transactions	191,123,711	
Amounts paid on cancellation of units	(994)	
		<u>219,406,178</u>
<b>Change in net assets attributable to Unitholders from investment activities</b>		542,237
<b>Retained distributions on accumulation units</b>		<u>2,411,962</u>
<b>Closing net assets attributable to Unitholders</b>		<u><b>£222,360,377</b></u>

<sup>1</sup>There are no comparative figures shown as the Fund launched 24 October 2017.

## Financial Statements continued

### Balance Sheet as at 30 April 2018

	30/06/18 <sup>1</sup> £
<b>ASSETS</b>	
<b>Fixed assets:</b>	
Investments	218,951,881
<b>Current assets:</b>	
Debtors	1,256,809
Cash and bank balances	1,760,312
Cash equivalents	5,642,484
<b>Total assets</b>	<b><u>227,611,486</u></b>
<b>LIABILITIES</b>	
Investment liabilities	(4,204,437)
<b>Creditors:</b>	
Bank overdrafts	(850,198)
Distributions payable	(35)
Other creditors	(196,439)
<b>Total liabilities</b>	<b><u>(5,251,109)</u></b>
<b>Net assets attributable to Unitholders</b>	<b><u>£222,360,377</u></b>

<sup>1</sup>There are no comparative figures shown as the Fund launched 24 October 2017.

# Notes to the Financial Statements

## 1. Statement of Compliance

The Financial Statements have been prepared in compliance with UK Financial Reporting Standard 102 (FRS 102) and in accordance with the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014 (2014 SORP).

## 2. Accounting Policies

This is the first interim Financial Statements prepared for this Fund.

### (a) Basis of Preparation

The Financial Statements have been prepared on a going concern basis, under the historical cost convention as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss.

## Fund Information

### Net Asset Values and Units in Issue

Class	Net Asset Value (£)	Units in Issue	Net Asset Value per Unit (p)
I-Class			
Distribution Units	2,946	5,877	50.13
Accumulation Units	318,206	630,061	50.50
C-Class			
Distribution Units	1,006	2,000	50.30
Accumulation Units	1,014	2,000	50.70
L-Class			
Distribution Units	1,002	2,000	50.10
Accumulation Units	222,036,203	438,162,180	50.67

**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.**

### Ongoing Charges Figures

	30 Jun 18
I-Class	0.55%
C-Class	0.50%
L-Class	0.05%

† C-Class units launched on 28 February 2018.

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.

### Distribution Information

#### I-Class

The distribution payable on 31 August 2018 is 0.3147p per unit for distribution units and 0.3145p per unit for accumulation units.

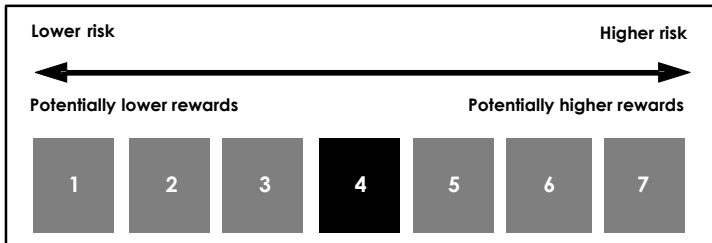
#### C-Class

The distribution payable on 31 August 2018 is 0.3615p per unit for distribution units and 0.3615p per unit for accumulation units.

#### L-Class

The distribution payable on 31 August 2018 is 0.4405p per unit for distribution units and 0.4409p per unit for accumulation units.

## Risk and Reward Profile



- This risk and reward profile 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.

## General Information

### Constitution

Launch date:	24 October 2017
Period end dates for distributions:	30 June, 31 December
Distribution dates:	28 February, 31 August
Minimum initial lump sum investment:	I-Class £1,000,000 C-Class* £20,000,000 L-Class** £100,000
Valuation point:	12 noon
Fund management fees:	I-Class Annual 0.55% C-Class* Annual 0.50% L-Class** Annual 0.05%
Initial charge:	I-Class Nil C-Class* Nil L-Class** Nil

\* 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.

### Dealing

Dealing in units takes place on a forward pricing basis, from 9am to 5pm, Monday to Friday.

### Buying and Selling Units

Units may be bought on any business day from the Manager or through a financial adviser by completing an application form. Units may normally be sold back to the Manager on any business day at the bid price calculated at the following valuation point.

### Prospectus and Manager's Reports

The Manager will send to all persons on the Unitholder Register annual and interim short form reports.

Copies of the Prospectus and the most recent annual or interim reports are available free of charge by telephoning 0370 050 0955 or by writing to the Manager.

Do you have difficulty in reading information in print because of a disability? If so, we can help. We are able to produce information for our clients in large print and braille. If you would like to discuss your particular requirements, please contact us on 0370 050 0955.

Call charges will vary. We may record and monitor calls.

## **General Information continued**

### **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.

### **Significant Changes**

#### **New Unit Class: C-Class**

With effect from 28 February 2018, C-Class units have launched 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 Capital 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](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.



## General Information continued

### 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

### Directors of the Manager

R. M. Bartley  
A. J. C. Craven  
S. Hynes  
H. Morrissey  
H. Solomon  
S. D. Thomas  
L. W. Toms  
A. R. Toutouchi\*  
M. J. Zinkula

\*Non-executive Director

### Secretary

J. McCarthy

### Registrar

Legal & General (Unit Trust Managers) Limited  
P.O. Box 6080,  
Wolverhampton WV1 9RB  
Authorised and regulated by the Financial Conduct Authority

Dealing: 0370 050 0956

Enquiries: 0370 050 0955

Registration: 0370 050 0955

Call charges will vary. We may record and monitor calls.

### Trustee

Northern Trust Global Services PLC  
Trustee and Depository Services  
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

### Investment Adviser

Legal & General Investment Management Limited  
One Coleman Street,  
London EC2R 5AA  
Authorised and regulated by the Financial Conduct Authority





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

Legal & General  
(Unit Trust Managers) Limited  
Registered in England and Wales No. 01009418  
Registered office:  
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London EC2R 5AA  
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