

Legal & General UK Equity Income Fund
**Interim Manager's
Short Report
for the period ended
24 July 2018**

**EVERY
DAY
MATTERS.®**



Investment Objective and Policy

The Fund aims to provide an income in excess of the FTSE All-Share Index yield and to provide capital growth over the long term.

The Manager will seek to achieve the investment objective by investing predominantly in the securities of companies domiciled in the UK or in companies which have a significant part of their activities in the UK but which are domiciled or quoted on a regulated market outside the UK. The Fund may also invest in other non-UK domiciled securities which are traded in the UK. The Fund may use depositary receipts and derivatives both for efficient portfolio management and investment purposes.

The Fund may also invest in other transferable securities, permitted deposits, money market instruments, cash, near cash and units in collective investment schemes.

Risk Profile

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.

Fund Facts

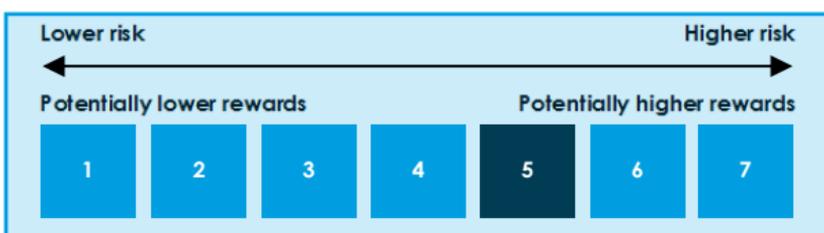
Period End Dates for Distributions:	24 Jan, 24 Apr, 24 Jul, 24 Oct	
Distribution Dates:	24 Mar, 24 Jun, 24 Sep, 24 Dec	
Ongoing Charges Figures:	24 Jul 18	24 Jan 18
R-Class	1.53%	1.75%
F-Class	1.03%	1.25%
I-Class	0.78%	0.87%
C-Class†	0.50%	–
L-Class	0.03%	0.12%

† 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) 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 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 Fund 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 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

R-Class

The distribution payable on 24 September 2018 is 0.7386p per unit for distribution units and 0.9854p per unit for accumulation units.

F-Class

The distribution payable on 24 September 2018 is 0.7646p per unit for distribution units and 1.0238p per unit for accumulation units.

I-Class

The distribution payable on 24 September 2018 is 0.7861p per unit for distribution units and 1.0530p per unit for accumulation units.

C-Class

The distribution payable on 24 September 2018 is 0.5770p per unit for distribution units and 0.5830p per unit for accumulation units.

L-Class

The distribution payable on 24 September 2018 is 0.8296p per unit for distribution units.

Net Asset Values and Units in Issue

Class	Net Asset Value (£)	Units in Issue	Net Asset Value per Unit (p)
R-Class			
Distribution Units	140,828,051	231,159,844	60.92
Accumulation Units	44,820,458	54,268,138	82.59
F-Class			
Distribution Units	57,138	90,601	63.07
Accumulation Units	43,414	50,794	85.47
I-Class			
Distribution Units	4,593,671	7,084,091	64.84
Accumulation Units	4,880,648	5,551,878	87.91
C-Class†			
Distribution Units	1,015	2,000	50.75
Accumulation Units	1,038	2,000	51.90
L-Class			
Distribution Units	67,779,316	99,039,920	68.44

† C-Class Units launched on 28 February 2018.

Past performance is not a guide to future performance.

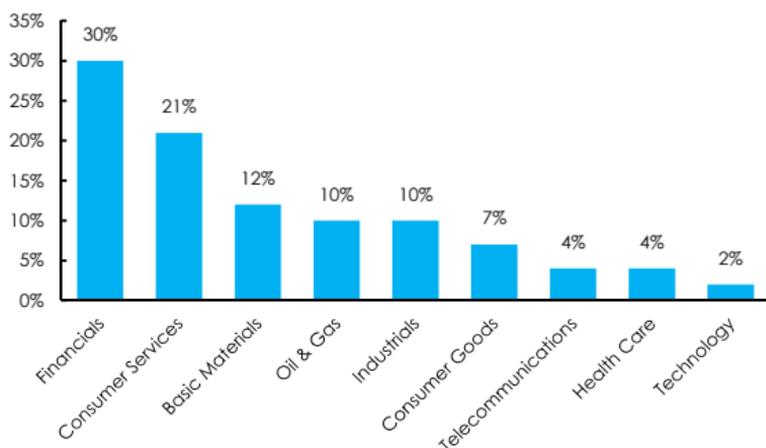
The price of units and any income from them may go down as well as up.

Portfolio Information

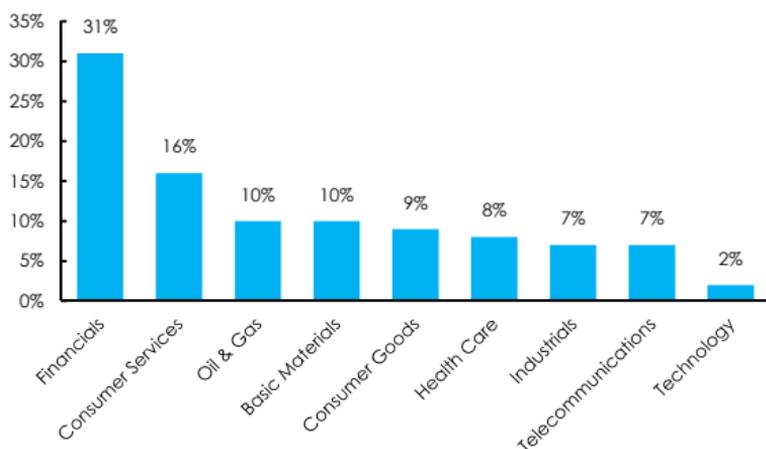
The top 10 holdings and their associated weighting at the current period end and preceding year end were:

Top 10 Holdings at 24 July 2018		Top 10 Holdings at 24 January 2018	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
BP	4.80%	BP	5.04%
Royal Dutch Shell 'B'	4.50%	Rio Tinto	4.66%
Rio Tinto	4.47%	Royal Dutch Shell 'B'	4.51%
Lloyds Banking Group	4.17%	Vodafone Group	4.25%
Prudential	3.44%	Lloyds Banking Group	4.25%
Aviva	3.21%	HSBC	4.22%
BHP Billiton	3.09%	Prudential	4.00%
GVC	3.09%	British American Tobacco	2.95%
Tesco	2.98%	GlaxoSmithKline	2.92%
Barclays	2.77%	BHP Billiton	2.83%

Fund Holdings as at 24 July 2018



Fund Holdings as at 24 January 2018



Manager's Investment Report

During the six months under review, the bid price of the fund's R-Class accumulation units fell by 1.08%.

Past performance is not a guide to future performance.

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

Market/Economic Review

Global 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 of 2018 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.

Fund Review

Over the review period, the fund delivered a negative return.

The early months of the period were particularly difficult for the fund's performance. This was mostly driven by sector positioning and stock selection, however, our sector overweight position in consumer services added some value. Much of the relative weakness was due to the significant fall of Micro Focus, though TP ICAP and WPP were additional detriments.

Micro Focus issued a surprise revenue warning in relation to IT and North American sales execution problems, while there were further concerns over its leverage position. Additionally, transitional issues from the Hewlett Packard Enterprise takeover continue to be a headwind. This all culminated in the resignation of the CEO. While this is all clearly disappointing, we took the decision to use the sharp fall in the share price to add to our existing position.

Manager's Investment Report continued

For TP ICAP, the shares were softer to reflect the lower guidance, given the impact from dollar weakness and some additional regulatory costs. On a more positive note, the trading performance and update on cost synergies were encouraging.

Advertising giant WPP was a heavy faller following the release of Q4 results, where weak US net sales growth was met with consensus downgrades. Management also reported a lacklustre start to 2018 in what was a sombre outlook for the year ahead, which weighed on the shares.

Gaming company GVC continues to perform well, underpinned by strong trading momentum and potential for upside revisions to synergies from the Ladbrokes Coral deal. The market has also begun to price in some of the opportunity from US sports-betting, which is very early stage.

In respect of trading, we sold down our holding of GlaxoSmithKline and introduced a new position in Indivior, where we believe the risk/reward is more attractive. Indivior saw its share price fall heavily after Dr. Reddy's announced the launch of a generic rival to a key product. The company filed for a preliminary injunction hearing on Suboxone film patent litigation, which looks balanced at this stage. While this will be a distraction for investors, attention will also now turn to the Sublocade ramp up, which potential represents a key catalyst over the coming months. For GlaxoSmithKline, the shares rallied strongly in Q2, though we struggle to see further outperformance at these levels.

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, while they also forecast that inflation could fall back slightly more quickly, reaching its 2% target in two years. The fund is positioned to take advantage of growth in the consumer services and financials, particularly banks and life and non-life insurance companies. Relative to the broader market, the portfolio has a bias to those companies operating domestically over those internationally.

Legal & General Investment Management Limited
(Investment Adviser)

15 August 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.

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:

R-Class	£100
F-Class	£500
I-Class	£1,000,000
C-Class	£20,000,000
L-Class	£100,000

In addition, monthly contributions can be made into the R-Class and F-Class with a minimum amount of £20 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 Fund, 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 Fund has performed during the period under review and how it is invested at the period 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.

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

Significant Changes

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 UK Equity Income 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

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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