

Legal & General UK Alpha Trust

**Interim Manager's Report
for the period ended
18 December 2018
(Unaudited)**



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Manager's Investment Report

Investment Objective and Policy

The objective of the 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.

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

Manager's Investment Report

During the six months under review, the bid price of the Trust's R-Class accumulation units fell by 25.00%. This compares with a fall in the FTSE All-Share Index of 11.39% 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

Global equity indices recorded a loss over the last six months as markets turned negative, especially in December. Favourable US economic indicators and encouraging corporate earnings announcements underpinned markets until October, when concerns over the impact of an escalating trade conflict between the US and China heralded a sharp sell-off. The healthcare sector outperformed, boosted by robust earnings growth. 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.

UK equities underperformed global indices as uncertainty surrounding the outcome of Brexit negotiations overshadowed the market. Although the UK government eventually negotiated a withdrawal agreement with the EU in November, it is highly uncertain whether this will receive the consent of Parliament. The UK economy grew at its slowest pace for six years during the first quarter of 2018, leading the Bank of England to adopt a cautious approach to monetary policy, only raising its benchmark base rate to 0.75% in August. Pharmaceutical stocks performed well, buoyed by a series of encouraging earnings announcements and merger and acquisition activity, while companies with significant exposure to emerging markets underperformed.

Trust Review

Against a challenging market backdrop, the Trust delivered a negative return over the six month period, underperforming the FTSE All-Share Index.

This underperformance can be attributed to stock selection, predominantly in the technology and healthcare sectors. At the industry level, the Trust's exposure to biotechnology, software and electronic equipment companies were major detractors to performance. Sector allocation was broadly neutral as the benefit of our relative underweight position in the financials sector was offset by the negative return from our overweight holding in capital goods stocks.

Seeing Machines was a significant detractor to performance. The company issued a profit warning on its Fleet business due to production delays and higher than expected technology costs. There has also been news of competition from Smart Eye for the launch of driver monitoring technology, which has unnerved investors.

First Derivatives also hindered relative returns as the share price has been volatile, prompted by concerns over the lack of growth and underlying cash generation. Investors had also become concerned that the valuation was looking stretched, given

Manager's Investment Report continued

limited catalysts in the short term.

BATM Advanced Communications, Action Hotels and Gordon Dadds Group were stand-out contributors to the Trust performance.

In terms of trading activity, Vernalis, Cloudcall, Codemasters Group and Action Hotels were all sold from the portfolio. We added Yellow Cake as part of their initial public offering (IPO). The company is a specialist uranium investment company, which gives direct uranium price exposure to shareholders. Science in Sport and Bonhill Group were other new names in 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. We are also closely monitoring the ongoing Brexit negotiations and the impact it may have on UK companies.

Legal & General Investment Management Limited
(Investment Adviser)
8 January 2019

Authorised Status

Authorised Status

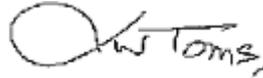
This Trust is an Authorised Unit Trust Scheme as defined in section 243 of the Financial Services and Markets Act 2000 and is a UCITS Retail Scheme within the meaning of the FCA Collective Investment Schemes sourcebook.

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)



L. W. Toms
(Director)

Legal & General (Unit Trust Managers) Limited
6 February 2019

Portfolio Statement

Portfolio Statement as at 18 December 2018

All investments are in ordinary shares unless otherwise stated. The percentages in brackets show the equivalent holdings at 18 June 2018.

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	UNITED KINGDOM		
	— 66.74% (62.17%)		
	Oil & Gas Producers		
	— 5.67% (4.67%)		
18,418,264	Amerisur Resources ¹	2,512,251	2.23
15,666,428	Savannah Petroleum ¹	3,885,274	3.44
2,500,000	Savannah Petroleum Warrants	—	—
		6,397,525	5.67
	Oil Equipment, Services & Distribution — 0.64% (0.00%)		
905,525	Tekmar Group	724,420	0.64
	Construction & Materials		
	— 4.76% (4.19%)		
2,000,000	Melrose Industries	3,102,000	2.75
5,785,715	SigmaRoc ¹	2,268,000	2.01
		5,370,000	4.76
	Electronic & Electrical Equipment		
	— 1.82% (2.39%)		
1,291,260	Xaar	2,050,521	1.82
	Industrial Engineering		
	— 3.00% (2.68%)		
58,319,374	TP Group ¹	3,382,524	3.00
	Support Services — 9.87% (8.90%)		
7,800,000	ISpatial ¹	2,574,000	2.28
1,635,715	Gordon Dadds Group ¹	2,968,823	2.63
1,000,000	Smart Metering Systems ¹	5,600,000	4.96
		11,142,823	9.87
	Food Producers — 0.15% (0.00%)		
285,672	Science in Sport	165,690	0.15
	Leisure Goods — 0.00% (0.45%)		
	Health Care Equipment & Services		
	— 0.38% (0.44%)		
2,940,000	Totally ¹	435,120	0.38
	Pharmaceuticals & Biotechnology		
	— 2.10% (3.69%)		
3,000,000	Allergy Therapeutics ¹	420,000	0.37
372,950	Horizon Discovery Group ¹	570,614	0.50
2,456,286	Midatech Pharma ¹	147,377	0.13
16,300,000	Scancell ¹	1,238,800	1.10
		2,376,791	2.10
	Media — 1.89% (0.00%)		
2,700,000	Bonhill Group	2,133,000	1.89

Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	Travel & Leisure — 5.62% (4.88%)		
3,043,525	Brighton Pier Group ¹	2,130,467	1.89
4,000,000	Elegant Hotels Group ¹	2,680,000	2.37
1,705,000	Escape Hunt ¹	1,534,500	1.36
		6,344,967	5.62
	Fixed Line Telecommunications — 3.84% (2.60%)		
3,616,436	Zegona Communications	4,339,723	3.84
	Life Insurance — 2.49% (2.18%)		
200,000	Prudential	2,815,000	2.49
	Financial Services — 9.03% (7.20%)		
2,065,625	Arden Partners ¹	599,031	0.53
390,985	IntegraFin	1,075,014	0.95
4,800,000	Sigma Capital Group ¹	5,904,000	5.23
1,306,357	Tatton Asset Management ¹	2,612,714	2.32
		10,190,759	9.03
	Software & Computer Services — 14.86% (16.30%)		
132,295	Appscatter Group ¹	25,136	0.02
210,000	First Derivatives ¹	4,557,000	4.04
13,000,000	Infonic ²	—	—
333,428	Micro Focus International	4,592,971	4.07
2,148,701	PROACTIS ¹	3,008,182	2.67
2,239,355	SysGroup ¹	828,561	0.73
5,025,718	Tribal Group ¹	3,759,237	3.33
		16,771,087	14.86
	Technology Hardware & Equipment — 0.62% (0.90%)		
11,923,816	Filtronic ¹	703,505	0.62
	Oil Equipment & Services — 0.00% (0.70%)		
	AUSTRALIA — 7.10% (12.83%)		
	Software & Computer Services — 4.01% (3.78%)		
100,475,920	eServGlobal ¹	4,521,416	4.01
	Technology Hardware & Equipment — 3.09% (9.05%)		
97,000,000	Seeing Machines ¹	3,492,000	3.09
	CHANNEL ISLANDS — 4.61% (2.76%)		
	Industrial Metals & Mining — 2.01% (0.00%)		
1,000,000	Yellow Cake	2,270,000	2.01
	Mining — 0.22% (1.03%)		
5,068,450	Rainbow Rare Earths	243,285	0.22
	Industrial Transportation — 2.38% (0.61%)		
122,246,990	Mercantile Ports and Logistics ¹	2,689,434	2.38

Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
6,953,131	Support Services — 0.00% (0.13%) Nature Group ²	—	—
	Travel & Leisure — 0.00% (0.99%)		
	FINLAND — 0.00% (0.12%)		
	Pharmaceuticals & Biotechnology — 0.00% (0.12%)		
	FRANCE — 0.76% (0.88%)		
2,525,909	Health Care Equipment & Services — 0.76% (0.88%) Novacyt ¹	858,809	0.76
	ISLE OF MAN — 4.51% (4.95%)		
10,467,767	Electricity — 0.21% (0.95%) KSK Power Ventur	235,525	0.21
	Software & Computer Services — 4.30% (4.00%)		
4,900,000	Kape Technologies ¹	4,851,000	4.30
	ISRAEL — 6.24% (5.91%)		
15,381,098	Technology Hardware & Equipment — 6.24% (5.91%) BATM Advanced Communications	7,044,543	6.24
	UNITED STATES — 5.49% (5.76%)		
2,407,159	Health Care Equipment & Services — 0.00% (0.51%) Constellation Healthcare Technologies - Promissory note ²	—	—
	Pharmaceuticals & Biotechnology — 5.49% (5.25%)		
3,348,000	MaxCyte ¹	6,193,800	5.49
Portfolio of investments³		107,743,267	95.45
Net other assets		5,137,515	4.55
Total net assets		£112,880,782	100.00%

¹ These securities are quoted on the Alternative Investment Market and comprise 68.17% of the net assets of the Trust.

² Delisted securities are valued at the Manager's best assessment of their fair and reasonable value.

³ All investments are admitted to an official stock exchange unless otherwise stated.

Total purchases for the period: £8,931,703.

Total sales for the period: £21,962,173.

Financial Statements

Statement of Total Return for the period ended 18 December 2018

	18/12/18		18/12/17	
	£	£	£	£
Income				
Net capital (losses)/ gains		(39,012,194)		11,598,030
Revenue	574,614		936,509	
Expenses	(862,316)		(1,348,259)	
Interest payable and similar charges	—		—	
Net expense before taxation	<u>(287,702)</u>		<u>(411,750)</u>	
Taxation	(433,199)		(3,295)	
Net expense after taxation for the period		<u>(720,901)</u>		<u>(415,045)</u>
Total return before distributions		<u>(39,733,095)</u>		<u>11,182,985</u>
Distributions		<u>(1,160)</u>		<u>(44,885)</u>
Change in net assets attributable to Unitholders from investment activities		<u>£(39,734,255)</u>		<u>£11,138,100</u>

Statement of Change in Net Assets attributable to Unitholders for the period ended 18 December 2018

	18/12/18		18/12/17	
	£	£	£	£
Opening net assets attributable to Unitholders		167,971,570		179,076,112
Amounts received on issue of units	2,202,276		2,896,233	
Amounts paid on cancellation of units	<u>(17,558,809)</u>		<u>(12,669,747)</u>	
		(15,356,533)		(9,773,514)
Change in net assets attributable to Unitholders from investment activities		(39,734,255)		11,138,100
Retained distributions on accumulation units		—		<u>44,952</u>
Closing net assets attributable to Unitholders		<u>£112,880,782</u>		<u>£180,485,650</u>

The difference between the opening net assets and the comparative closing net assets is the movement in the second half of the year.

Financial Statements continued

Balance Sheet as at 18 December 2018

	18/12/18 £	18/06/18 £
ASSETS		
Fixed assets:		
Investments	107,743,267	160,219,131
Current assets:		
Debtors	328,308	422,786
Cash and bank balances	5,798,021	8,955,940
Total assets	113,869,596	169,597,857
LIABILITIES		
Creditors:		
Bank overdrafts	(810,715)	–
Other creditors	(178,099)	(1,626,287)
Total liabilities	(988,814)	(1,626,287)
Net assets attributable to Unitholders	£112,880,782	£167,971,570

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

The accounting policies applied are consistent with the most recent annual Financial Statements.

(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.

Trust Information

Net Asset Values and Units in Issue

Class	Net Asset Value (£)	Units in Issue	Net Asset Value per Unit (p)
R-Class Accumulation Units	21,738,625	15,315,304	141.94
F-Class Accumulation Units	6,560	4,321	151.82
I-Class Accumulation Units	91,134,820	58,299,886	156.32
C-Class Accumulation Units	777	2,000	38.85

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.

Ongoing Charges Figures

	18 Dec 18	18 Jun 18
R-Class	1.53%	1.66%
F-Class	1.03%	1.16%
I-Class	0.78%	0.83%
C-Class	0.60%	0.60%

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.

Trust Information continued

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 interim 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 interim distribution payable for the F-Class.

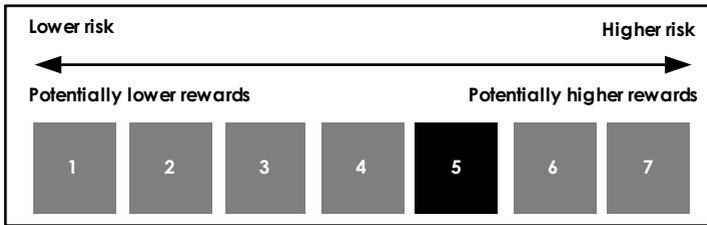
I-Class

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

C-Class

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

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.

General Information

Constitution

Launch date:	27 May 2005
Period end dates for distributions:	18 December, 18 June
Distribution dates:	18 February, 18 August
Minimum initial lump sum investment:	R-Class £100 F-Class* £500 I-Class £1,000,000 C-Class** £20,000,000
Minimum monthly contributions:	R-Class £20 F-Class* £50 I-Class N/A C-Class** N/A
Valuation point:	12 noon
Fund management fees:	R-Class Annual 1.53% F-Class* Annual 1.03% I-Class Annual 0.78% C-Class** Annual 0.60%
Initial charge:	Nil for all existing unit classes

* 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 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.

Pricing and Dealing

The prices are published on the internet at www.legalandgeneral.com/investments/fund-information/daily-fund-prices immediately after they become available.

Dealing in units takes place on a forward pricing basis, from 8:30am to 6:00pm, 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 or on the internet at www.legalandgeneral.com. Units may normally be sold back to the Manager on any business day at the bid price calculated at the following valuation point.

General Information continued

ISA Status

This Trust may be held within this tax advantaged savings arrangement. The favourable tax treatment of ISAs may not be maintained. For full written information, please contact your usual financial adviser or ring 0370 050 0955.

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

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.

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, though the size of any return will be dependent on the size of subscriptions and redemptions.

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 (resigned 17 October 2018)
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 SE
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

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

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