

Legal & General UK Special Situations Trust
Interim Manager's Report
for the period ended
14 March 2019
(Unaudited)



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Manager's Investment Report

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.

Manager's Investment Report

During the period under review, the Trust's R-Class distribution units fell by 7.31%, while the FTSE All-Share Index fell by 2.39% on a capital only 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.

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

Market/Economic Review

Global equity indices have performed poorly over the last six months. Markets became increasingly volatile as 2018 ended, recording heavy losses before regaining some lost ground in January and February. Concerns that the Federal Reserve was raising US interest rates too quickly, the risk of a prolonged government shutdown in the US, the ongoing US-China trade dispute and weaker global economic indicators all combined to trigger widespread risk aversion amongst investors. The healthcare sector outperformed, boosted by robust earnings growth. As global economic prospects became more uncertain, technology stocks struggled while the energy sector underperformed as the oil price fell back to a 15-month low in December.

UK equities lost ground as uncertainty surrounding the outcome of Brexit negotiations preoccupied investors. The negative reception by Parliament to Prime Minister May's Brexit deal raised the perceived risk of either an election or a 'no deal' Brexit, both considered undesirable outcomes due to the potential negative impact on UK business prospects. At the sector level, it was a disappointing period for retailers, as the high street remains the one consistent area of decline in the UK economy, which grew at its slowest pace in over six years during the final quarter of 2018. The pharmaceutical sector continues to be a focal point for merger and acquisition activity, with GlaxoSmithKline unveiling a plan to split its business into two, while Japanese pharmaceutical firm Takeda acquired Shire.

Trust Review

Against a difficult market backdrop, the Trust delivered a negative return over the period. During the wider sell-off, both stock and sector allocation detracted from performance as smaller companies underperformed.

Cairn Energy initially detracted from performance but contributed towards the end of the period. The company reported an operational update, which showcased good returns at its Catcher and Kraken fields. The balance sheet also ended the year in robust shape. In respect of forthcoming exploration activity, the company have a number of wells planned to be drilled across its portfolio.

Manager's Investment Report continued

Royal Bank of Scotland Group provided a positive surprise with a capital return and common equity tier ratio (CET) target that was well ahead of expectations. While there may have been some operational disappointments in the Q4 results, there were also a number of supportive shareholder messages, including the revenue outlook. We believe Royal Bank of Scotland Group will benefit from an improvement in the UK backdrop and should find opportunities for returns on equity to improve.

Gym Group shares have been under pressure since January's pre-close trading update, with some concerns over the level of price cuts needed to stimulate new membership or renewal growth. This comes amid broader worries over market saturation and potential signs for the beginning of oversupply of low-cost gym operators.

On activity, portfolio repositioning nears completion following fund manager change in December 2018. New additions to the portfolio include Hunting, Ferguson and St. James's Place. In terms of sales, we exited our positions in IQE, DCC, Wizz Air, CRH and Whitbread.

In Oil Equipment & Services, Hunting is a manufacturer of products used in more complex wells (deep water exploration). The company looks well positioned to benefit from improvement in the outlook for industry capital expenditure, whilst also having a strong balance sheet and cash generation. Further, this attractive oilfield services end market should be exposed to structural growth and see a consolidated supply side where innovation, rather than just capital, forms a barrier to entry.

For St. James's Place, following a dramatic de-rating, we believe investors fail to give merit to the company's strong net organic, profit and dividend growth. They also have ample surplus capital. Meanwhile, Ferguson remains a strong play on the US housing and repair, maintenance and improvement market. This is a genuine compounding growth story, with strong operating metrics and a well-regarded management team.

Outlook

Looking ahead, the biggest risk is that markets could well bring about a self-fulfilling prophecy. Growing fears over the downside of fiscal stimulus, end of cycle worries and the potential for a US recession are exacerbated by potential political mistakes that threaten to depress business investment further. Yet, while we acknowledge a slowdown in economic growth, we feel there is some clear value in equities. In this context, we remain optimistic that a less negative narrative can unfold and boost markets as we move through 2019.

Legal & General Investment Management Limited
(Investment Adviser)
6 April 2019

Authorised Status

Authorised Status

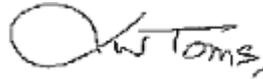
This Trust is an Authorised Unit Trust Scheme as defined in section 243 of the Financial Services and Markets Act 2000 and is a UCITS Retail Scheme within the meaning of the FCA Collective Investment Schemes sourcebook.

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
1 May 2019

Portfolio Statement

Portfolio Statement as at 14 March 2019

All investments are in ordinary shares unless otherwise stated. The percentages in brackets show the equivalent holdings at 14 September 2018.

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	UNITED KINGDOM		
	— 82.25% (70.45%)		
	Oil & Gas Producers		
	— 13.84% (11.87%)		
2,548,387	BP	14,100,225	5.83
3,000,000	Cairn Energy	5,214,000	2.16
1,480,612	Energean Oil & Gas	11,411,077	4.72
5,000,000	Ophir Energy	2,730,000	1.13
		<hr/>	
		33,455,302	13.84
		<hr/>	
	Oil Equipment, Services & Distribution — 1.97% (0.00%)		
876,734	Hunting	4,756,282	1.97
		<hr/>	
	Construction & Materials		
	— 3.92% (3.93%)		
5,181,000	Melrose Industries	9,483,820	3.92
		<hr/>	
	Aerospace & Defense		
	— 0.00% (3.74%)		
	General Industrials — 3.62% (0.00%)		
2,528,073	DS Smith	8,747,133	3.62
		<hr/>	
	Electronic & Electrical Equipment		
	— 0.75% (0.98%)		
1,503,060	Xaar	1,815,696	0.75
		<hr/>	
	Support Services — 0.84% (2.90%)		
910,211	Biffa	2,038,873	0.84
		<hr/>	
	Household Goods & Home Construction — 8.69% (6.27%)		
1,480,343	Countryside Properties	4,882,171	2.02
122,200	Reckitt Benckiser Group	7,666,828	3.17
4,600,000	Taylor Wimpey	8,441,000	3.50
		<hr/>	
		20,989,999	8.69
		<hr/>	
	Tobacco — 0.00% (3.54%)		
	Health Care Equipment & Services		
	— 3.33% (1.30%)		
580,000	Consort Medical	5,085,788	2.10
1,478,880	Georgia Healthcare Group	2,972,549	1.23
		<hr/>	
		8,058,337	3.33
		<hr/>	
	Food & Drug Retailers		
	— 3.50% (3.13%)		
3,683,642	Tesco	8,468,693	3.50
		<hr/>	
	General Retailers — 5.06% (5.90%)		
4,353,119	Saga	5,075,737	2.10

Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	General Retailers — (cont.)		
5,666,185	Vivo Energy	7,140,526	2.96
		<hr/>	<hr/>
		12,216,263	5.06
	Media — 2.58% (1.74%)		
5,135,948	Huntsworth	4,314,196	1.79
2,828,501	ITE Group	1,917,724	0.79
		<hr/>	<hr/>
		6,231,920	2.58
	Travel & Leisure — 7.51% (8.48%)		
210,000	Carnival	8,687,700	3.59
2,340,837	El Group	4,751,899	1.97
2,485,345	Gym Group	4,702,273	1.95
		<hr/>	<hr/>
		18,141,872	7.51
	Fixed Line Telecommunications — 2.17% (1.40%)		
4,986,322	Zegona Communications	5,235,638	2.17
	Banks — 4.69% (1.39%)		
555,000	HSBC	3,454,320	1.43
2,963,424	Royal Bank of Scotland Group	7,891,598	3.26
		<hr/>	<hr/>
		11,345,918	4.69
	Life Insurance — 6.91% (4.65%)		
563,000	Prudential	8,937,625	3.70
756,351	St. James's Place	7,767,725	3.21
		<hr/>	<hr/>
		16,705,350	6.91
	Real Estate Investment & Services — 0.84% (4.28%)		
716,368	Urban & Civic	2,020,158	0.84
	Real Estate Investment Trusts — 2.02% (0.00%)		
540,357	Land Securities Group	4,890,231	2.02
	Financial Services — 4.49% (3.14%)		
1,100,000	Draper Esprit	5,830,000	2.41
1,441,280	Jupiter Fund Management	5,028,626	2.08
		<hr/>	<hr/>
		10,858,626	4.49
	Software & Computer Services — 5.52% (0.00%)		
345,697	Blue Prism Group	5,835,365	2.42
395,464	Micro Focus International	7,499,975	3.10
		<hr/>	<hr/>
		13,335,340	5.52

Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	Technology — 0.00% (1.81%)		
	IRELAND — 0.00% (9.16%)		
	Construction & Materials — 0.00% (3.51%)		
	Support Services — 0.00% (4.05%)		
	Household Goods & Home Construction — 0.00% (1.60%)		
	BERMUDA — 0.00% (0.43%)		
	Mining — 0.00% (0.43%)		
	CHANNEL ISLANDS — 10.64% (8.32%)		
	Industrial Metals & Mining — 1.44% (1.32%)		
1,500,000	Yellow Cake	3,495,000	1.44
	Mining — 3.41% (3.11%)		
2,700,000	Glencore	8,237,700	3.41
	Support Services — 3.07% (0.00%)		
139,472	Ferguson	7,418,516	3.07
	Travel & Leisure — 0.00% (3.89%)		
	Equity Investment Instruments — 2.72% (0.00%)		
6,600,000	Trian Investors 1	6,567,000	2.72
	ISLE OF MAN — 1.58% (7.00%)		
	Travel & Leisure — 1.58% (7.00%)		
709,335	GVC	3,805,582	1.58
	MAURITIUS — 2.60% (2.32%)		
	Real Estate Investment & Services — 2.60% (2.32%)		
5,900,000	Grit Real Estate Income Group	6,288,695	2.60
	Portfolio of investments¹	234,607,944	97.07
	Net other assets	7,085,341	2.93
	Total net assets	£241,693,285	100.00%

¹ All investments are admitted to an official stock exchange unless otherwise stated.

Total purchases for the period: £94,905,919.

Total sales for the period: £97,486,100.

Financial Statements

Statement of Total Return for the period ended 14 March 2019

	14/03/19		14/03/18	
	£	£	£	£
Income				
Net capital (losses)/ gains		(19,057,880)		576,437
Revenue	3,187,141		1,858,515	
Expenses	(805,046)		(1,684,056)	
Interest payable and similar charges	(339)		—	
Net revenue before taxation	<u>2,381,756</u>		<u>174,459</u>	
Taxation	—		—	
Net revenue after taxation for the period		<u>2,381,756</u>		<u>174,459</u>
Total return before distributions		(16,676,124)		750,896
Distributions		<u>(2,477,383)</u>		<u>(509,593)</u>
Change in net assets attributable to Unitholders from investment activities		<u>£(19,153,507)</u>		<u>£241,303</u>

Statement of Change in Net Assets attributable to Unitholders for the period ended 14 March 2019

	14/03/19		14/03/18	
	£	£	£	£
Opening net assets attributable to Unitholders		262,303,021		268,910,530
Amounts received on issue of units	15,772,775		11,017,741	
Amounts paid on cancellation of units	<u>(18,003,332)</u>		<u>(11,480,419)</u>	
Change in net assets attributable to Unitholders from investment activities		(2,230,557)		(462,678)
		(19,153,507)		241,303
Retained distributions on accumulation units		773,709		12,594
Unclaimed distributions		619		267
Closing net assets attributable to Unitholders		<u>£241,693,285</u>		<u>£268,702,016</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 14 March 2019

	14/03/19 £	14/09/18 £
ASSETS		
Fixed assets:		
Investments	234,607,944	256,214,686
Current assets:		
Debtors	3,673,439	981,828
Cash and bank balances	9,840,007	7,878,774
Total assets	248,121,390	265,075,288
LIABILITIES		
Creditors:		
Distributions payable	(1,685,249)	(2,331,330)
Other creditors	(4,742,856)	(440,937)
Total liabilities	(6,428,105)	(2,772,267)
Net assets attributable to Unitholders	£241,693,285	£262,303,021

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			
Distribution Units	52,610,827	53,071,045	99.13
Accumulation Units	12,740,764	11,990,942	106.25
F-Class			
Distribution Units	65,643	65,354	100.44
Accumulation Units	66,185	59,677	110.91
I-Class			
Distribution Units	3,262,857	3,272,989	99.69
Accumulation Units	5,929,693	5,105,707	116.14
C-Class			
Distribution Units	893	2,000	44.65
Accumulation Units	61,666,255	134,455,911	45.86
L-Class			
Distribution Units	105,350,168	105,744,953	99.63

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

	14 Mar 19	14 Sep 18
R-Class	1.54%	1.63%
F-Class	1.04%	1.13%
I-Class	0.79%	0.84%
C-Class	0.50%	0.50%
L-Class	0.04%	0.09%

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

The distribution payable on 14 May 2019 is 0.5465p per unit for distribution units and 0.5823p per unit for accumulation units.

F-Class

The distribution payable on 14 May 2019 is 0.8023p per unit for distribution units and 0.8788p per unit for accumulation units.

I-Class

The distribution payable on 14 May 2019 is 0.9199p per unit for distribution units and 1.0617p per unit for accumulation units.

C-Class

The distribution payable on 14 May 2019 is 0.4750p per unit for distribution units and 0.4827p per unit for accumulation units.

L-Class

The distribution payable on 14 May 2019 is 1.2904p per unit for distribution units.

Risk and Reward Profile



- The Risk and Reward Indicator table demonstrates where the Trust ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is not guaranteed to remain the same and may change over time. It is based on historical data and may not be a reliable indication of the future risk profile of the Trust. The shaded area in the table above shows the Trust's ranking on the Risk and Reward Indicator.
- 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.
- Even a trust in the lowest category is not a risk free investment.

General Information

Constitution

Launch date:	10 November 2008
Period end dates for distribution:	14 March, 14 September
Distribution dates:	14 May, 14 November
Minimum initial lump sum investment:	R-Class £100 F-Class* £500 I-Class £1,000,000 C-Class** £20,000,000 L-Class*** £100,000
Valuation point:	12 noon
Fund management fees:	R-Class Annual 1.54% F-Class* Annual 1.04% I-Class Annual 0.79% C-Class** Annual 0.50% L-Class*** Annual 0.04%
Initial charges:	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.

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

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.

Significant Change

New Unit Class: L-Class Accumulation

With effect from 25 April 2019, L-Class Accumulation units have launched. As such, Distribution and Accumulation units are now available within the L-Class.

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 (resigned 31 December 2018)
A. J. C. Craven
S. Hynes
H. Morrissey
H. Solomon
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 UK Branch
Trustee and Depositary 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
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Registered office:
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London EC2R 5AA
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