

Legal & General UK Select Equity Fund
Interim Manager's Report
for the period ended
31 March 2019
(Unaudited)



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Manager's Investment Report

Investment Objective and Policy

With effect from 1 November 2018, the Fund's Investment Objective and Policy has changed (please see Significant Changes on page 15).

Prior to 1 November 2018

The Fund aims to generate growth by investing predominantly in shares of UK companies. The Fund currently has a target to outperform the FTSE All Share Index (the "Index") by 1.25% per annum before charges, measured over rolling three year periods.

The investment policy is to manage the Fund actively, but with reference to the Index.

The Fund invests its assets predominantly in a broad range of shares of UK companies. These are companies that are incorporated or headquartered or which have their principal business activities in the UK. The Fund may also invest in collective investment schemes and hold shares in other UK listed companies.

The Fund's portfolio will be concentrated.

The Fund may use derivatives for Efficient Portfolio Management to reduce risk or cost, or to generate additional capital or income with no, or an acceptably low, level of risk. The Fund may also invest in cash or deposits.

From 1 November 2018

The Fund aims to generate growth by investing predominantly in shares of UK companies. The Fund has a target to outperform the FTSE All Share Index (the "Index") by 3% per annum before charges, measured over rolling three year periods.

The Fund is actively managed. The Fund invests its assets predominantly in a broad range of shares of UK companies. These are companies that are incorporated or headquartered or which have their principal business activities in the UK. The Fund may also invest in collective investment schemes and hold shares in other UK listed companies. The collective investment schemes invested in may include those managed or operated by Legal & General.

The Fund's portfolio will be concentrated.

The Fund may use derivatives for Efficient Portfolio Management to reduce risk or cost, or to generate additional capital or income with no, or an acceptably low, level of risk. The Fund may also invest in cash or deposits.

Managers Investment Report

During the period under review, the price of the Fund's A-Class accumulation units fell by 6.77%, whilst the FTSE All Share Index fell by 1.77% 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 have produced disappointing returns over the review period. Markets became increasingly volatile as 2018 ended, recording heavy losses before rallying during the opening quarter of 2019. In recent months, some of the concerns that had preoccupied investors late last year have abated, as the US Federal Reserve

Manager's Investment Report continued

indicated that there would be no interest-rate hikes this year and US-China trade talks yielded some progress. Sectors less sensitive to the economic cycle, such as consumer staples, performed well in late 2018 but since the turn of the year investors have favoured sectors perceived to offer superior earnings growth, such as technology.

UK equities lost ground as uncertainty surrounding the outcome of Brexit negotiations preoccupied investors. The negative reception to Prime Minister May's Brexit deal from Parliament 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, leadership shifted from areas less sensitive to the economic cycle to mining and industrials during the first quarter of 2019. 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.

Fund Review

The Fund delivered a negative return over the review period, falling against the market backdrop towards the end of 2018.

The Fund's overweight position in the general retail industry was particularly detrimental to performance during the sharp downturn.

At the stock level, ASOS delivered a surprise profit warning on the back of consumer weakness in overseas markets, unprecedented levels of discounting on the UK high street and unseasonably warm weather. This drove down gross margin and selling prices, though active customers and order frequency grew. Management also confessed their strategy was not right during the Black Friday period, where they did not react strongly enough to the levels of discounting elsewhere. While this is clearly a disappointment, we maintain a positive view on the stock, given favourable secular industry trends and international opportunities.

TUI reported another warning on the back of a downgrade to financial expectations following the grounding of the Boeing 737 MAX aircraft fleet. The subsequent impact of plane replacement and staff costs represents considerable disruption to the business. Luxury car manufacturer Aston Martin Lagonda Global remains under pressure. This is largely sentiment related amid a lack of short-term positive catalysts for the shares until the launch of the DBX SUV model.

For activity, we topped up our holdings in Cineworld Group which remains one of our key leisure stocks. The US opportunity from the Regal acquisition bodes well for the long term and a strong film slate for 2019 provides us with some visibility on operational performance. We exited our position in British American Tobacco, given lacklustre sales growth, market position in heated tobacco & vapour and concerns over a lack of investment in its next-generation product portfolio. On the flipside we added to Vivo Energy and TUI on share price weakness.

Outlook

Looking ahead, investors clearly remain highly sensitive to any further signs of economic weakness. Upcoming data readings and political developments are potentially market moving in the absence of corporate reporting. In reality, it is highly unlikely that investors will stop fearing the next recession, but given valuations and the low cost of capital, we could see investors chase stocks before this rally ends. Having seen consensus earnings expectations move towards lower sensible levels, this could limit

Manager's Investment Report continued

downside surprises. Importantly, we believe it more prudent than ever to focus on the bottom-up fundamentals. Encouragingly, a key takeaway from the recent results season has been the constructive tone from individual company management, which overall have been more positive than top-down indicators might suggest.

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

Authorised Status

Authorised Status

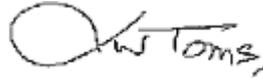
This Fund is an Authorised Unit Trust Scheme as defined in section 243 of the Financial Services and Markets Act 2000 and is a UCITS Retail Scheme within the meaning of the FCA Collective Investment Schemes sourcebook.

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)



L. W. Toms
(Director)

Legal & General (Unit Trust Managers) Limited
20 May 2019

Portfolio Statement

Portfolio Statement as at 31 March 2019

All investments are in ordinary shares unless otherwise stated. The percentages in brackets show the equivalent holdings at 30 September 2018.

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	UNITED KINGDOM		
	— 83.89% (88.99%)		
	Oil & Gas Producers		
	— 7.95% (10.93%)		
3,865,000	BP	21,543,510	5.68
355,000	Royal Dutch Shell 'B'	8,601,650	2.27
		<hr/>	<hr/>
		30,145,160	7.95
	Mining — 3.52% (4.62%)		
300,000	Rio Tinto	13,368,000	3.52
	Construction & Materials		
	— 3.05% (4.67%)		
6,410,000	Melrose Industries	11,554,025	3.05
	Aerospace & Defense		
	— 0.00% (3.72%)		
	General Industrials — 2.99% (2.78%)		
800,000	Smiths Group	11,336,000	2.99
	Industrial Engineering		
	— 2.43% (1.91%)		
602,500	The Weir Group	9,209,213	2.43
	Support Services — 6.29% (3.98%)		
474,500	Ashtead Group	8,775,877	2.31
2,500,000	Biffa	5,812,500	1.53
2,660,000	Rentokil Initial	9,278,080	2.45
		<hr/>	<hr/>
		23,866,457	6.29
	Automobiles & Parts		
	— 2.74% (0.00%)		
1,031,256	Aston Martin Lagonda Global	10,415,686	2.74
	Beverages — 2.90% (0.00%)		
369,272	Fevertree Drinks	11,019,076	2.90
	Food Producers — 2.82% (1.89%)		
439,400	Associated British Foods	10,681,814	2.82
	Household Goods & Home Construction — 2.02% (2.03%)		
119,700	Reckitt Benckiser Group	7,669,179	2.02
	Personal Goods — 0.00% (1.25%)		
	Tobacco — 0.00% (4.18%)		
	Health Care Equipment & Services		
	— 2.72% (2.36%)		
453,500	NMC Health	10,303,520	2.72

Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	Pharmaceuticals & Biotechnology		
	— 2.56% (4.27%)		
160,000	AstraZeneca	9,702,400	2.56
	Food & Drug Retailers		
	— 3.22% (5.21%)		
5,250,000	Tesco	12,201,000	3.22
	General Retailers — 9.89% (3.65%)		
342,093	ASOS	10,803,297	2.85
1,437,700	Just Eat	10,848,884	2.86
178,000	Next	9,807,800	2.59
4,893,181	Vivo Energy	6,041,126	1.59
		37,501,107	9.89
	Media — 0.00% (2.50%)		
	Travel & Leisure — 3.16% (2.98%)		
100,000	Carnival	3,707,000	0.98
2,864,350	Cineworld Group	8,272,243	2.18
		11,979,243	3.16
	Fixed Line Telecommunications		
	— 0.00% (0.79%)		
	Mobile Telecommunications		
	— 2.61% (1.81%)		
7,150,000	Vodafone Group	9,917,050	2.61
	Banks — 11.79% (12.39%)		
8,000,000	Barclays	12,377,600	3.26
2,152,000	HSBC	13,363,920	3.52
7,600,000	Royal Bank of Scotland Group	18,977,200	5.01
		44,718,720	11.79
	Life Insurance — 0.00% (2.17%)		
	Financial Services — 5.75% (4.40%)		
1,291,200	3i Group	12,695,078	3.35
2,530,000	Jupiter Fund Management	9,102,940	2.40
45,262	Sole Realisation (SVG Capital) ¹	—	—
		21,798,018	5.75
	Software & Computer Services		
	— 5.48% (4.50%)		
319,022	AVEVA Group	10,061,954	2.65
3,610,500	Sophos Group	10,723,185	2.83
		20,785,139	5.48
	CHANNEL ISLANDS — 2.42% (3.71%)		
	Pharmaceuticals & Biotechnology		
	— 0.00% (2.34%)		
	Media — 0.00% (0.93%)		
	Travel & Leisure — 2.42% (0.44%)		
302,550	Wizz Air	9,167,265	2.42

Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	GERMANY — 1.90% (1.55%)		
	Travel & Leisure — 1.90% (1.55%)		
996,000	TUI	7,189,128	1.90
	LUXEMBOURG — 2.37% (1.57%)		
	General Retailers — 2.37% (1.57%)		
2,387,480	B&M European Value Retail	8,986,475	2.37
	NETHERLANDS — 2.36% (1.04%)		
	Industrial Engineering		
	— 2.36% (1.04%)		
205,000	RHI Magnesita	8,966,700	2.36
	SWITZERLAND — 2.34% (1.51%)		
	Beverages — 2.34% (1.51%)		
340,000	Coca-Cola HBC	8,860,400	2.34
Portfolio of investments²		361,340,775	95.28
Net other assets		17,910,796	4.72
Total net assets		£379,251,571	100.00%

¹ Delisted securities are valued at the Manager's best assessment of their fair and reasonable value.

² All investments are admitted to an official stock exchange unless otherwise stated.

Total purchases for the period: £125,829,038.

Total sales for the period: £155,882,927.

Financial Statements

Statement of Total Return for the period ended 31 March 2019

	31/03/19		31/03/18	
	£	£	£	£
Income				
Net capital losses		(33,919,879)		(17,300,350)
Revenue	6,690,853		7,594,497	
Expenses	(2,485,505)		(2,990,815)	
Interest payable and similar charges	(3)		—	
Net revenue before taxation	<u>4,205,345</u>		<u>4,603,682</u>	
Taxation	(51,141)		—	
Net revenue after taxation for the period		<u>4,154,204</u>		<u>4,603,682</u>
Total return before distributions		(29,765,675)		(12,696,668)
Distributions		(4,154,203)		(4,603,682)
Change in net assets attributable to Unitholders from investment activities		<u>£(33,919,878)</u>		<u>£(17,300,350)</u>

Statement of Change in Net Assets attributable to Unitholders for the period ended 31 March 2019

	31/03/19		31/03/18	
	£	£	£	£
Opening net assets attributable to Unitholders		433,128,075		465,786,150
Amounts received on issue of units	1,414,351		6,744,972	
Amounts paid on cancellation of units	(25,420,281)		(26,164,197)	
		(24,005,930)		(19,419,225)
Change in net assets attributable to Unitholders from investment activities		(33,919,878)		(17,300,350)
Retained distributions on accumulation units		4,049,304		4,512,319
Closing net assets attributable to Unitholders		<u>£379,251,571</u>		<u>£433,578,894</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 31 March 2019

	31/03/19 £	30/09/18 £
ASSETS		
Fixed assets:		
Investments	361,340,775	426,048,743
Current assets:		
Debtors	12,777,954	7,073,558
Cash and bank balances	7,223,313	6,657,197
Total assets	381,342,042	439,779,498
LIABILITIES		
Creditors:		
Bank overdrafts	–	(2,701,514)
Distributions payable	(1,348)	(1,360)
Other creditors	(2,089,123)	(3,948,549)
Total liabilities	(2,090,471)	(6,651,423)
Net assets attributable to Unitholders	£379,251,571	£433,128,075

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.

Fund 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	858,309	259,275	331.04
A-Class			
Accumulation Units	335,625,564	100,725,989	333.21
F-Class			
Accumulation Units	936	274	341.61
I-Class			
Distribution Units	100,536	34,521	291.23
Accumulation Units	42,666,226	12,184,442	350.17

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

	31 Mar 19	30 Sep 18
R-Class	1.37%	1.58%
A-Class	1.37%	1.37%
F-Class	1.00%	1.12%
I-Class	0.78%	0.78%

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.

Distribution Information

R-Class

The distribution payable on 31 May 2019 is 3.4288p per unit for accumulation units.

A-Class

The distribution payable on 31 May 2019 is 3.4514p per unit for accumulation units.

F-Class

The distribution payable on 31 May 2019 is 4.1386p per unit for accumulation units.

I-Class

The distribution payable on 31 May 2019 is 3.9046p per unit for distribution units and 4.6279p per unit for accumulation units.

Risk and Reward Profile



- The Risk and Reward Indicator table demonstrates where the Fund 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 Fund. The shaded area in the table above shows the Fund's ranking on the Risk and Reward Indicator.
- 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.
- Even a fund in the lowest category is not a risk free investment.

General Information

Constitution

Launch date:	2 January 1996
Period end dates for distributions:	30 September, 31 March
Distribution dates:	30 November, 31 May
Minimum initial lump sum investment:	R-Class £20 A-Class £20 F-Class* £20 I-Class £1,000,000 L-Class** £100,000
Valuation point:	12 noon
Fund management fees:	R-Class Annual 1.37% A-Class Annual 1.37% F-Class* Annual 1.00% I-Class Annual 0.78% L-Class** Annual 0.05%
Initial charge:	Nil for all existing unit classes

* Class F units are 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.

** Class L units are only available to other Legal & General funds and/or companies which have entered into an agreement with the Manager or an affiliate of the Manager.

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.

ISA Status

This Fund 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.

General Information continued

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.

Significant Changes

Change to Investment Objective and Policy

To enhance the Fund's performance potential and give the Authorised Fund Manager greater flexibility in managing the Fund, the unitholders approved changes to the Investment Objective and Policy at an Extraordinary General Meeting on 24 October 2018. This change was implemented on 1 November 2018. The Investment Objective and Policy can be found on page 2.

New Unit Class: L-Class

With effect from 25 April 2019, L-Class units have launched within the Fund with accumulation units available.

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
Registered in England and Wales No. 01009418
Registered office:
One Coleman Street,
London EC2R 5AA
www.legalandgeneral.com

