

Legal & General (Alliance & Leicester)
Capital Growth Fund

**Interim Manager's
Short Report
for the period ended
31 August 2017**

**EVERY
DAY
MATTERS.®**



Investment Objective and Policy

The (Alliance & Leicester) Capital Growth Fund is designed to track the capital performance of the FTSE 350 Index (the 'Index') and to maintain a gross income yield equal to that of the Index.

Securities in the Index will be held with weightings generally proportionate to their official Index weighting. From time to time non-Index constituents may be held as a result of a corporate action and these holdings will be sold or transferred as soon as reasonably practical.

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.

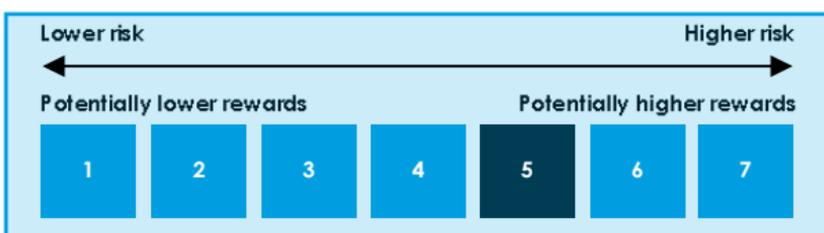
Fund Facts

Period End Dates for Distributions:	28 Feb, 31 Aug	
Distribution Dates:	30 Apr, 31 Oct	
Ongoing Charges Figures:	31 Aug 17	28 Feb 17
	0.98%	1.43%

The Ongoing Charges Figure (OCF) is the ratio of the Fund's total discloseable 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 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 is based on the rate at which the value of the Fund has moved up and down in the past.
- This Fund is in category five because it invests in company shares which generally provide higher rewards and higher risks than investments such as bonds, cash or commercial property.
- 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

The distribution payable on 31 October 2017 is 2.7208p per unit for accumulation units.

Net Asset Values and Units in Issue

Class	Net Asset Value (£)	Units in Issue	Net Asset Value per Unit (p)
Accumulation Units	154,468,253	96,270,279	160.45

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.

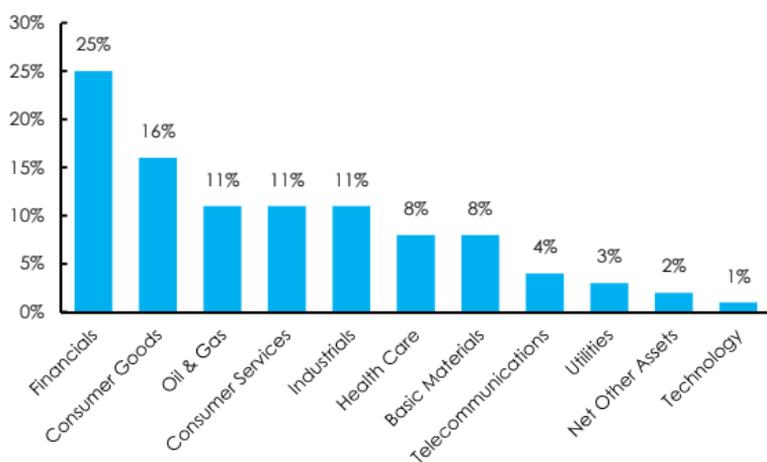
Exchange rate changes may cause the value of any overseas investments to rise or fall.

Portfolio Information

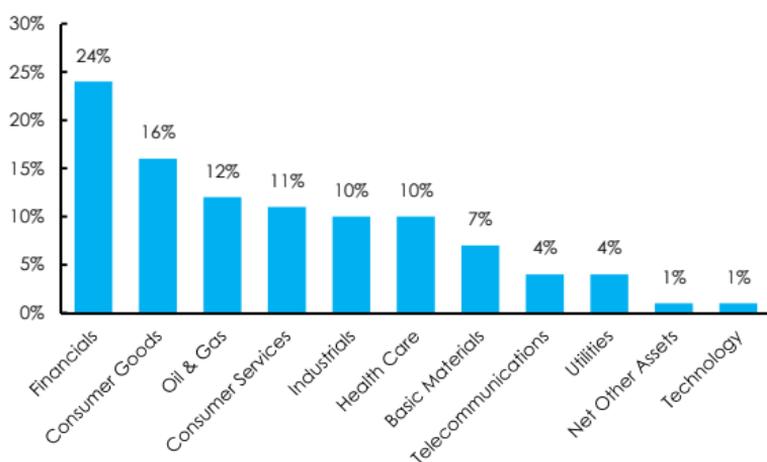
The top 10 holdings and their associated weighting at the current period end and preceding year end were:

Top 10 Holdings at 31 August 2017		Top 10 Holdings at 28 February 2017	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
HSBC	6.48%	HSBC	5.79%
British American Tobacco	4.55%	British American Tobacco	4.23%
BP	3.64%	BP	3.84%
Royal Dutch Shell 'A' (Dutch listing)	3.63%	Royal Dutch Shell 'B'	3.83%
Royal Dutch Shell 'B'	3.47%	GlaxoSmithKline	3.59%
GlaxoSmithKline	3.17%	Royal Dutch Shell 'A' (Dutch listing)	3.48%
Diageo	2.74%	AstraZeneca	2.65%
Vodafone Group	2.51%	Diageo	2.57%
AstraZeneca	2.45%	Vodafone Group	2.39%
Unilever	2.31%	Unilever	2.07%

Fund Holdings as at 31 August 2017



Fund Holdings as at 28 February 2017



Manager's Investment Report

During the period under review, the bid price of the Fund's units rose by 4.29%. FTSE, the Index compiler, calculates the benchmark Index at the end of the business day using closing prices, whereas the Fund is valued using prevailing prices at 12pm. Therefore, for tracking purposes the Fund has been revalued using closing prices. On this basis over the review period, the Fund returned 2.91% on a capital only basis, compared with the FTSE 350 Index return of 2.84% (Source: Bloomberg), producing a tracking difference of +0.07%.

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.

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Market/Economic Review

In the aftermath of the UK vote to leave the European Union in the June 2016 referendum, Sterling fell to a 31-year low against the US dollar. For UK investors, the weakness of Sterling enhanced returns from international equities. During the period under review, UK equities continued to advance as economic indicators suggested the UK economy had weathered the post-referendum volatility well and the UK economic indicators remained broadly positive. In this stable environment the Conservatives aimed to take advantage of their healthy opinion poll lead over Labour and grow their majority to make a success of Brexit by announcing a snap general election. However, Sterling weakened against the Euro during May on the back of a narrowing in the polls, which showed Labour making significant ground against the Conservatives, leading the market to doubt the probability of a more substantial Conservative majority in the June election, which ended up being the case. European markets pushed higher as investors saw the pro-EU economic reformer Emmanuel Macron succeed in his bid for the French presidency in May. Inflation has been steadily increasing since the EU referendum pushing up to 2.9% in August. However, the average three month wage growth of 2.1% year on year in the three months to June intensified the debate over how long the Bank of England may leave interest rates at the record low of 0.25%.

The more domestically focused FTSE 250 Index (+5.50%) outperformed the more globally focused FTSE 100 Index (+2.30%) during the review period. The UK market was at its lowest in April

Manager's Investment Report continued

and ended with a strong recovery, reaching its high point towards the end of the period.

The best performing sectors over the review period were Industrial Metals & Mining (+58.83%), Beverages (+15.77) and Personal Goods (+15.69%). The worst performing sectors over the review period were Oil Equipment, Services & Distribution (-28.70%), Automobiles & Parts (-11.39%) and Fixed Line Telecommunications (-9.75%).

Fund Review

Companies held within the Fund are held with weightings generally proportionate to those of the Index. Hence investment activity, other than to raise or invest cash, is only necessary when there are changes in the issued share capital or free float of the constituent companies, or to the constituents of the Index.

During the period under review, there were two Index reviews carried out by FTSE. The March quarterly Index review, resulted in three additions and three deletions. Sanne Group, Northgate and Syncona were added to the Index, whereas International Personal Finance, Brown (N.) Group and CMC Markets were deletions. The largest increases in free share capital were for Lloyds Banking Group, Royal Dutch Shell A and GlaxoSmithKline and the largest decreases were for Alliance Trust, Experian and SVG Capital.

The annual Index review in June resulted in six additions and six deletions. Melrose Industries, Pershing Square Holdings, Sirius Minerals, Coats Group, FDM Group Holdings and TBC Bank Group were added to the Index, whereas deletions included Keller, Debenhams, Allied Minds, BH Macro (GBP), AO World and SVG Capital. The largest increases in free share capital were for Lloyds Banking Group, Ladbrokes Coral Group PLC and Royal Dutch Shell A and the largest decreases were for Anglo American, GlaxoSmithKline and Diageo.

Outside of the reviews there was a noticeable amount of overseas merger and acquisition activity. Henderson was deleted from the Index as a result of a merger with Janus (US) and was subsequently delisted from London Stock Exchange. Stobart Group was consequently promoted to the FTSE250 from the SmallCap Index. Jimmy Choo replaced Aberdeen Asset Management which merged with the subsequently enlarged Standard Life. British American Tobacco was weighted upwards after acquiring the remaining 57.8% of its Reynolds American (US) holding. Atkins (WS) was replaced in the FTSE250 Index by Brown (N) Group after being acquired by SNC-Lavalin Group (GB) Holdings. Shawbrook Group was replaced by Vietnam Enterprise Investments after being acquired by Marlin Bidco.

Companies raising capital via rights issues included Segro, Cobham and Tullow Oil. LondonMetric Property, Tritax Big Box REIT, Marstons, IP Group, NewRiver REIT and Metro Bank raised capital for growth via primary placings.

Manager's Investment Report continued

Secondary placings that resulted in companies having their freely available share capital increased in the Index were made for Ibstock, Onesavings Bank, JRP Group, Wizz Air Holdings and Playtech.

Outlook

Prime Minister Theresa May triggered Article 50 allowing the two-year window for official negotiations on Brexit to start. A 'hard Brexit' would imply giving up full access to the single market, with Britain having full control over its borders, making new trade deals and applying laws within its own territory. In LGIM's view, such a scenario could be negative for sterling, but we only attribute a 30% probability to this outcome.

Given Brexit uncertainties most market participants thought the Bank of England outlook would be on hold for a long time, but after the Bank of England's warning that if the economy keeps growing as forecast then rates could rise faster than the market has been expecting. We stick to our view that the first rate rise will be in 2018, contingent on relatively smooth negotiations with the EU.

At the latest Monetary Policy Committee meeting, only two of the eight members voted to raise borrowing costs, compared to the 3-5 vote during the July meeting. Although July's consumer price inflation figure of 2.6% was marginally below the 2.7% consensus forecast. Labour market data subsequently suggested that the jobs market could be tightening further.

Subsequently, signs that the Brexit negotiations are yielding little progress and a further round of subdued UK economic data reinforced the suggestion that businesses and individuals are adopting a more cautious approach.

Given this backdrop of uncertainty the Trust remains well positioned to capture the performance of the Index.

Legal & General Investment Management Limited
(Investment Adviser)
28 September 2017

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.

Information on Tracking Error

The 'Tracking Error' of a Fund is the measure of the volatility of the differences between the return of the Fund and the return of the benchmark Index. It provides an indication of how closely the Fund is tracking the performance of the benchmark Index after considering things such as Fund charges and taxation.

Using monthly returns, over the review period, the annualised Tracking Error of the Fund is 0.05%, whilst over the last three years to the end of August 2017 the annualised Tracking Error of the Fund is 0.14%. These Tracking Errors are within the anticipated Tracking Error levels set out in the Fund's Prospectus of +/-0.50% per annum.

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 is £500. Monthly contributions can be made with a minimum amount of £50 per month.

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.

Significant Changes

Change of Fund Management Fees (FMF)

With effect from 6 June 2017, the FMF was reduced from 1.43% to 0.82%.

Removal of Initial Charge

With effect from 6 June 2017, the initial charge has been removed. Prior to this change the initial charge was 3%. The removal of the initial charge will provide better value for investors, as there is no longer a cost of setting up the investments

Authorised Fund Manager

Legal & General (Unit Trust Managers) Limited

Registered in England and Wales No. 01009418

Registered office:

One Coleman Street,

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Authorised and regulated by the Financial Conduct Authority

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

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