

Legal & General UK Special Situations Trust

**Annual Manager's
Short Report
for the year ended
14 September 2013**



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.

Risk Profile

Market Risk

Market risk arises mainly from uncertainty about future prices. 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.

Trust Facts

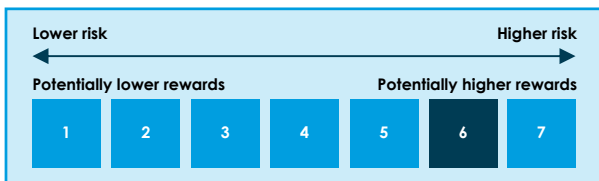
Period End Dates for Distributions:	14 Mar, 14 Sep	
Distribution Dates:	14 May, 14 Nov	
Ongoing Charges Figures:	14 Sep 13	14 Sep 12
R-Class	1.73%	1.73%
I-Class	0.84%	0.85%
L-Class	0.09%	0.10%
F-Class*	1.23%	—

* There are no prior year comparatives for the F-Class which launched on 19 December 2012.

The Ongoing Charges Figure (OCF) is the ratio of the Trust's total discloseable 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.

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 is based on the rate at which the value of the Trust has moved up and down in the past.
- This Trust is in category six because it invests in company shares which generally provide higher rewards and higher risks than other investments such as bonds, cash or commercial property.
- 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.

Trust Performance

Accounting Date	Net Asset Value Of Trust	Net Asset Value Per Unit	Number Of Units In Issue
14 Sep 11			
R-Class			
Distribution Units	£602	50.50p	1,192
Accumulation Units	£87,845	52.71p	166,669
I-Class			
Distribution Units	£994	50.64p	1,963
Accumulation Units	£2,270	53.88p	4,213
L-Class			
Distribution Units	£20,216,190	50.54p	40,001,989
14 Sep 12			
R-Class			
Distribution Units	£696	58.39p	1,192
Accumulation Units	£24,275	60.91p	39,855
I-Class			
Distribution Units	£1,148	58.48p	1,963
Accumulation Units	£1,569	62.94p	2,493
L-Class			
Distribution Units	£23,367,781	58.42p	40,001,989
14 Sep 13			
R-Class			
Distribution Units	£899	75.42p	1,192
Accumulation Units	£53,569	78.71p	68,055
I-Class			
Distribution Units	£1,483	75.55p	1,963
Accumulation Units	£949	82.02p	1,157
L-Class			
Distribution Units	£30,221,720	75.55p	40,000,671
F-Class*			
Distribution Units	£1,288	76.08p	1,693
Accumulation Units	£1,297	79.96p	1,622

* F-Class units launched on 19 December 2012.

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.

Distribution Information

R-Class

The distribution payable on 14 November 2013 is 0.0578p net per unit for distribution units and 0.0607p net per unit for accumulation units.

I-Class

The distribution payable on 14 November 2013 is 0.3866p net per unit for distribution units and 0.4191p net per unit for accumulation units.

L-Class

The distribution payable on 14 November 2013 is 0.6599p net per unit for distribution units.

F-Class

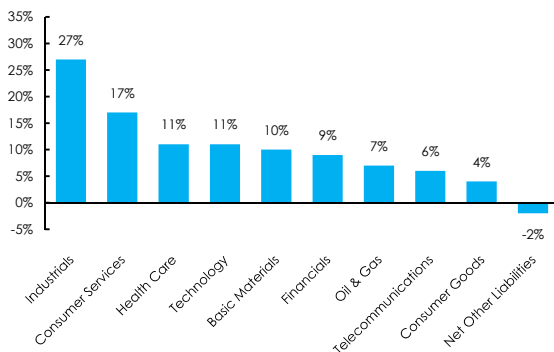
The distribution payable on 14 November 2013 is 0.2864p net per unit for distribution units and 0.3008p net per unit for accumulation units.

Portfolio Information

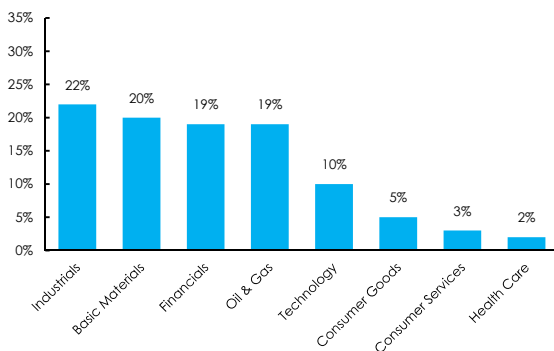
The top 10 holdings and their associated weighting for the current and preceding year are:

Top 10 Holdings at 14 September 2013		Top 10 Holdings at 14 September 2012	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
Vectura Group	5.00%	BHP Billiton	5.26%
Smart Metering Systems	4.80%	Standard Chartered	5.26%
Tribal Group	4.16%	Weir Group	4.70%
Telecom Plus	3.93%	Rolls-Royce Holdings	4.58%
Coastal Energy	3.48%	BG Group	4.29%
Carclo	3.41%	Prudential	4.13%
Playtech	3.34%	Diageo	3.85%
Sepura	3.28%	Petrofac	3.60%
Howden Joinery Group	2.96%	Aviva	3.44%
Booker Group	2.89%	Antofagasta	3.40%

Trust Holdings as at 14 September 2013



Trust Holdings as at 14 September 2012



Unit Price Range and Net Revenue

R-Class Units

Year	Highest Offer	Lowest Bid	Net Revenue
Distribution Units			
2008 ⁽¹⁾	50.99p	44.76p	—
2009	57.42p	42.07p	1.1134p
2010	61.30p	49.41p	0.9894p
2011	63.18p	44.87p	—
2012	62.75p	51.53p	0.0981p
2013 ⁽²⁾	80.78p	59.77p	0.0578p
Accumulation Units			
2008 ⁽¹⁾	50.99p	44.76p	—
2009	58.81p	42.06p	1.1146p
2010	63.91p	50.98p	0.9910p
2011	65.90p	46.79p	0.0266p
2012	65.41p	53.69p	0.1025p
2013 ⁽²⁾	84.23p	62.40p	0.0607p

I-Class Units

Year	Highest Offer	Lowest Bid	Net Revenue
Distribution Units			
2008 ⁽¹⁾	50.00p	44.77p	—
2009	54.88p	42.13p	1.2868p
2010	58.66p	49.63p	1.4670p
2011	60.62p	44.96p	0.5404p
2012	60.06p	51.84p	0.5486p
2013 ⁽²⁾	77.40p	60.05p	0.6229p
Accumulation Units			
2008 ⁽¹⁾	50.00p	44.77p	—
2009	56.40p	42.13p	1.3406p
2010	61.83p	51.56p	1.5066p
2011	64.05p	47.87p	0.5879p
2012	64.29p	55.32p	0.6819p
2013 ⁽²⁾	83.62p	64.66p	0.6846p

⁽¹⁾ From 11 November 2008.

⁽²⁾ The above tables show the highest offer and lowest bid prices to 14 September 2013 and the net revenue per unit to 14 November 2013.

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.

Unit Price Range and Net Revenue continued

L-Class Units

Year	Highest Offer	Lowest Bid	Net Revenue
Distribution Units			
2008 ⁽¹⁾	50.00p	44.78p	—
2009	54.98p	42.21p	1.5661p
2010	58.75p	49.71p	1.8449p
2011	60.68p	44.93p	0.9421p
2012	60.17p	51.88p	0.9615p
2013 ⁽³⁾	77.66p	60.13p	1.1165p

F-Class Units*

Year	Highest Offer	Lowest Bid	Net Revenue
Distribution Units			
2012 ⁽²⁾	59.87p	58.34p	—
2013 ⁽³⁾	77.84p	60.41p	0.3371p
Accumulation Units			
2012 ⁽²⁾	62.50p	60.91p	—
2013 ⁽³⁾	81.46p	63.08p	0.3908p

* F-Class units launched on 19 December 2012.

⁽¹⁾ From 11 November 2008.

⁽²⁾ The above table shows the highest offer and lowest bid prices from 19 December 2012 to 31 December 2012.

⁽³⁾ The above tables show the highest offer and lowest bid prices to 14 September 2013 and the net revenue per unit to 14 November 2013.

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.

Manager's Investment Report

During the year under review, the bid price of the Trust's R-Class distribution units rose by 29.2%, while the FTSE All-Share Index rose by 13.6% on a capital only basis (Source: Bloomberg).

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

Market/Economic Review

An increased risk appetite from the end of 2012 has benefited the equity asset class across most regions. However, it is worth stressing that it has been a volatile 12 months. The feel good effect that began at the end of 2012 paused for breath in April 2013 and then dipped more severely in June. Yet, quarter three to date has been a strong period for UK equities, which saw the FTSE All Share Index rise 7.5%, from 1 July to 14 September 2013. The Index has returned 17.7% over the 12 month period, on a total return basis (Source: Bloomberg).

Volatility can be attributed to a number of factors, but has primarily been driven by the market absorbing the impact of a potential tapering of relief by the US Federal Reserve (Fed), Emerging Market growth fears and the heightened political risk within the eurozone. However, the consensus belief is now that the Fed would not de-stabilise a recovery but was simply reiterating that they will scale back monetary stimulus when the US economy is seen to be back on track. China, a leader for emerging markets, has seen growth forecasts stabilise and whilst we remain concerned over a number of countries within the eurozone, the market seems willing to forgo the element of risk at this time. On the domestic front, the UK, which was lagging global developed markets last year, is now seen to be exponentially recovering. The improved economic news flow for the UK and in particular, upward revisions to UK gross domestic product (GDP) and a recovery in the housing sector, has created an upturn.

While we are pleased to have participated in the upturn, we feel there is extremely high expectations priced into the market at these levels and therefore remain focused on stock selection and asset allocation.

Trust Review

At a stock level, the three largest detractors from performance were Coastal Energy, AZ Electronic Materials and Yamana Gold and the three largest contributors were Iofina, Optimal Payments and Smart Metering Systems.

In terms of detractors, Coastal Energy is a producer of oil and natural gas and principally operates in Southeast Asia. This stock fell, during the first half of the review year, as an oil well proved disappointing and the company experienced operational delays. However, we continue to hold the stock as we believe the company is well positioned to benefit from exploration in the short term,

Manager's Investment Report continued

although we accept that it will take time for management to rebuild investor confidence in the company's growth profile.

AZ Electronic Materials shares fell on a profits warning, following a slowdown in industry demand and stock selling from key clients.

Yamana Gold fell in line with the record decline in the price of gold. We remain very bullish (belief that a particular security, sector or the overall market is about to rise) on the outlook for gold and believe it is prudent to continue to believe in our long term thesis for the base metal.

In terms of contributors, Iofina provides US shale gas producers with the technology to extract iodine from waste brine water. The company announced record revenues earlier this year and plans for an additional two extraction plants.

Optimal Payments continues to trade above market expectations on revenues and earnings and has led to a number of broker upgrades. Progress in the US online gaming market remains pivotal to the growth story.

Smart Metering Systems shareholders reacted positively to news that the company won a significant amount of new and recurring contracts in the domestic and industrial utility markets. Trading has been strong as a result.

With regards to portfolio turnover, there have been a number of changes made to the Trust during the review year, in which the Fund Manager changed in May 2013.

The Trust reduced its overweight allocation in the Oil & Gas sector to an underweight position, and reduced its underweight allocation in both the Consumer Services and Health Care sectors. The focus of the Trust, in terms of Index weighting, also differs under the new Fund Manager, having placed greater emphasis towards FTSE 250 and Small Cap names, which arguably offer more attractive growth stories.

As an example, we have built a position in Xaar, the specialist ink jet manufacturer, which is a strong niche player with a loyal customer base and enjoying significant organic growth. We bought into Retroscreen Virology, the niche viral research company, where we believe the group will see rapid expansion in the clinical trials market due to its unique business model and rapidly expanding pipeline of opportunities. We also initiated a position in Playtech, the world's largest online gaming software company, as we believe the group has 'best in class' technology, an attractive balance sheet and premium market share, which position the company strongly to deliver returns above sector peers.

Some of our disposals include BG Group, Salamander Energy and Tullow Oil as part of our reduction in our overweight positions in the Oil & Gas sector. We sold our holdings of Ashted Group and ARM Holdings as both began to run out of steam after periods of outperformance. We also exited Lancashire Holdings, the speciality

Manager's Investment Report continued

insurance provider, where we believe this point in the insurance cycle is not compelling.

Outlook

In our opinion, valuations are not as attractive as they were at the start of the review year. Markets have moved up very quickly in light of better macro news, despite well known global headwinds. Even with assumptions that the US avoids a catastrophic default, we feel there is very little growth left to be exploited in the world and the consensus belief that the US will keep improving is optimistic in our view. The slowdown in China may be compounded by less supportive monetary policy in the US as the Fed starts to taper support and bonds yields start to rise. For example, we think the outlook for the consumer is anchored to housing which may slow, while affordability decreases at the same time.

In summary, we are concerned about the widespread, optimistic consensus and are definitely contrarian on an outlook for a strong, uninterrupted recovery.

Legal & General Investment Management Limited

(Investment Adviser)

15 October 2013

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.

Significant Changes

New Unit Classes: F-Class

With effect from 19 December 2012, the Trust launched a new F-Class with distribution and accumulation units available.

F-Class units are only available for investment through a financial adviser.

Minimum Investment Amounts

The minimum initial lump sum investment amounts for each class are as follows:

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

L-Class is only available for investment to companies within the Legal & General Group.

Other Information

The information in this report is designed to enable unitholders to understand how the Trust has performed during the year under review and how it is invested at the year end. Further information on the activities and performance of the Trust can be obtained by telephoning 0370 050 0955 or by writing to the Manager.

Manager

Legal & General (Unit Trust Managers) Limited

Registered in England No. 01009418

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