Distribution Number 17

Legal & General Target Return Fund

Annual Manager's Short Report for the year ended 31 July 2013

Investment Objective and Policy

This Fund aims to deliver long-term capital growth which exceeds the Bank of England's base interest rate as set by the Monetary Policy Committee or successor bodies. It will principally invest in fixed interest stocks (corporate and government), UK and overseas equities and cash with the Manager retaining the flexibility to invest up to 100% of the Fund in approved money market instruments, cash or near cash assets.

Risk Profile

Credit Risk

This Fund is invested in financial securities such as bonds. With these investments, there is a risk of suffering loss due to a party not meeting its financial obligations. This risk is managed by monitoring the financial stability of investments and companies, via credit ratings.

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.

Currency Risk

This Fund is invested in overseas financial securities. The performance of the Fund may therefore be affected by changes in exchange rates. This risk may be managed by the use of forward currency contracts, which aim to manage the effect of changing exchange rates.

This Fund is also invested in Collective Investment Schemes which invest in overseas financial securities. The performance of the Fund may therefore be affected by changes in exchange rates through its holdings in these Schemes.

Interest Rate Risk

This Fund is invested in interest bearing securities. The performance of the Fund may therefore be affected by changes in interest rates. The active monitoring and adjustment of the investments in the portfolio manages this risk.

Fund Facts

Period End Dates for Distributions:	31 Jan, 31 Jul	
Distribution Dates:	31 Mar, 30 Sep	
Ongoing Charges Figures:	31 Jul 13	31 Jul 12
A-Class	1.74%	1.70%
R-Class	1.74%	1.70%
I-Class*	0.85%	—
F-Class**	1.24%	—

* I-Class units were launched on 31 October 2012.

** F-Class units were launched on 19 December 2012.

The Ongoing Charges Figure (OCF) is the ratio of the Fund's total discloseable costs (excluding overdraft interest) and all costs suffered through holdings in underlying Collective Investment Schemes, 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

Lower risk ← → **Higher risk**

Potentially lower rewards **Potentially higher rewards**

1	2	3	**4**	5	6	7

- 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 four because it invests, sometimes through other funds, in a variety of investments. A mixture of higher risk investments and lower risk investments has a balancing effect. The result is that this fund is lower risk than one investing only in company shares and higher risk than one investing only in investment grade bonds.
- 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.

Fund Performance

Accounting Date	Net Asset Value Of Fund	Net Asset Value Per Unit	Number Of Units In Issue
31 Jul 11			
A-Class			
Accumulation Units	£526,258,256	129.17p	407,423,579
R-Class			
Accumulation Units	£181,323,140	129.17p	140,378,458
31 Jul 12			
A-Class			
Accumulation Units	£475,195,855	128.58p	369,579,555
R-Class			
Accumulation Units	£277,577,970	128.58p	215,884,388
31 Jul 13			
A-Class			
Accumulation Units	£465,383,452	137.72p	337,928,572
R-Class			
Accumulation Units	£307,604,140	137.72p	223,360,362
I-Class*			
Distribution Units	£1,039	136.71p	760
Accumulation Units	£4,876,806	139.01p	3,508,348
F-Class**			
Accumulation Units	£1,035	138.18p	749

* I-Class units were launched on 31 October 2012.

** F-Class units were 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.

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

Distribution Information

A-Class

The distribution payable on 30 September 2013 is 0.3899p net per unit for accumulation units.

R-Class

The distribution payable on 30 September 2013 is 0.3899p net per unit for accumulation units.

I-Class

The distribution payable on 30 September 2013 is 1.0065p net per unit for distribution units and 1.0161p net per unit for accumulation units.

F-Class

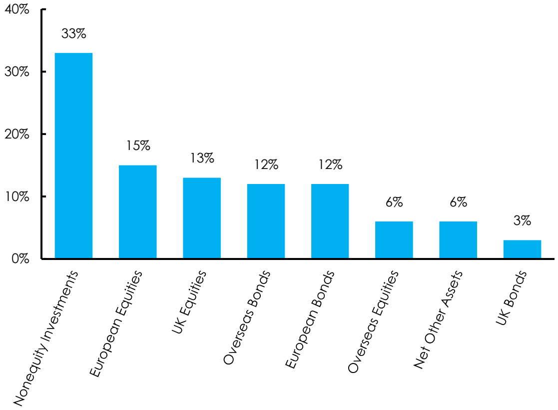
The distribution payable on 30 September 2013 is 0.7636p net per unit for accumulation units.

Portfolio Information

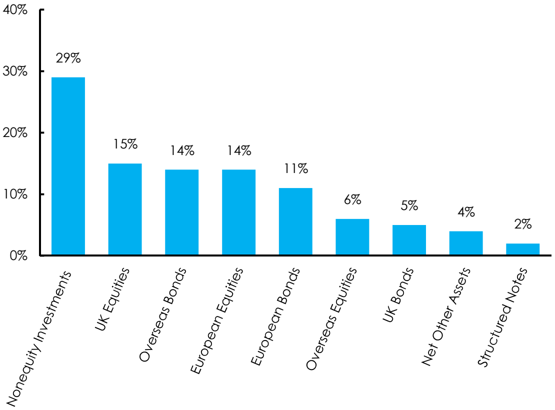
The top 10 holdings and their associated weighting for the current and preceding year are:

Top 10 Holdings at 31 July 2013		Top 10 Holdings at 31 July 2012	
Holding	**Percentage of Net Asset Value**	**Holding**	**Percentage of Net Asset Value**
Institutional Cash Series - Institutional Sterling Liquidity Fund	18.01%	Institutional Cash Series - Institutional Sterling Liquidity Fund	6.61%
Goldman Sachs Global High Yield Portfolio Fund	4.24%	Goldman Sachs Global High Yield Portfolio Fund	5.05%
BlackRock Emerging Markets Equity Fund	3.73%	Treasury 4.50% 07/12/2042	3.01%
Allegro Investment Corporation 0% 13/09/2013	2.81%	Republic of Italy 5.5% 01/09/2022	2.83%
BlackRock Strategic - European Credit Strategic Fund	2.45%	BlackRock Strategic - European Credit Strategic Fund	2.35%
BH Macro (GBP)	2.43%	BH Macro (GBP)	2.17%
Scottish Mortgage & Trust	2.19%	BlackRock Global - Asian Dragon Fund	2.01%
NB Global Floating Rate Income Fund	2.05%	BlackRock Gold & General Fund	2.00%
Bluecrest AllBlue Fund	2.02%	NB Global Floating Rate Income Fund	1.92%
NB Distressed Debt Investment Fund	1.70%	Bluecrest AllBlue Fund	1.91%

Fund Holdings as at 31 July 2013



Fund Holdings as at 31 July 2012



Unit Price Range and Net Revenue

A-Class Units

Year	Highest Offer	Lowest Bid	Net Revenue
Accumulation Units			
2008	123.20p	96.59p	2.0497p
2009	117.80p	97.42p	1.2230p
2010	127.60p	115.60p	0.7099p
2011	131.60p	123.10p	1.0645p
2012	130.90p	125.30p	0.7310p
2013[2]	142.00p	133.70p	1.2140p

R-Class Units

Year	Highest Offer	Lowest Bid	Net Revenue
Accumulation Units			
2009[1]	117.80p	110.70p	—
2010	127.60p	115.60p	0.7099p
2011	131.60p	123.10p	1.0645p
2012	130.90p	125.30p	0.7310p
2013[2]	142.00p	133.70p	1.2140p

[1] From 29 August 2009.

[2] The above tables show the highest and lowest prices to 31 July 2013 and the net revenue per unit to 30 September 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.

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

Unit Price Range and Net Revenue continued

I-Class Units*

Year	Highest Offer	Lowest Bid	Net Revenue
Distribution Units			
2012[1]	134.00p	130.70p	—
2013[3]	141.80p	133.60p	2.1130p
Accumulation Units			
2012[1]	134.00p	130.70p	—
2013[3]	143.00p	134.40p	2.1228p

F-Class Units**

Year	Highest Offer	Lowest Bid	Net Revenue
Accumulation Units			
2012[2]	133.80p	133.30p	—
2013[3]	142.40p	134.10p	1.6901p

* There are no prior year comparatives for the I-Class which launched on 31 October 2012.

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

(1) The above table shows the highest and lowest prices from 31 October 2012 to 31 December 2012.

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

(3) The above tables show the highest and lowest prices to 31 July 2013 and the net revenue per unit to 30 September 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.

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

Manager's Investment Report

During the year under review, the price of the Fund's R-Class accumulation units rose by 6.9%. The UK Base rate during the review year was 0.5% and the Fund's target performance is 1% above the UK Base rate i.e. 1.5%.

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Market/Economic Review

The last twelve-month period to 31 July 2013 has been strong for debt instruments but challenges still remain. Strong market performance in the second half of 2012 was driven by an improving macroeconomic backdrop and supportive stance of central banks globally.

Open ended quantitative easing, announced by the Federal Reserve in September 2012, supported the resilience in US housing and helped strengthen consumer confidence alongside fourth quarter election uncertainty.

In Europe, markets shrugged off the International Monetary Fund's Eurozone downgrade. The European Central Bank commented on preserving the Euro and announced its Outright Monetary Transaction (OMT) programme which drove risk assets higher by providing an effective back-stop to the Sovereign debt crisis.

Coming into 2013, thematic divergence between developed and emerging markets appeared. In the first quarter of 2013, US equities rallied after the fiscal cliff (the simultaneous expiry of tax breaks with the introduction of tax increases and spending cuts towards the end of 2012) was narrowly avoided and macroeconomic data continued improving. European equities also remained resilient, absorbing the Italian election stalemate and Cyprus bail out with apparent ease. However, emerging markets underperformed as concerns of an overheating property market in China and subsequent monetary policy tightening weighed on the emerging universe. Developed market gains continued until May 2013 before reversing as, Chairman of the Federal Reserve, Ben Bernanke's tapering comments sent shockwaves throughout markets - highlighting the importance of central bank bond purchases on asset prices.

Towards the end of July 2013, developed markets again moved higher following the more dovish tone from central banks which helped to quell investor fears. Broadly however, emerging market concerns remained given the tightening credit conditions in China and Brazil.

Fund Review

The 'search for yield' theme was a key driver of returns during the first three months of the year under review. This was borne out by the strong contribution from our Equity Dividend Income strategy and exposure to UK fixed income and high yield bonds. As the review year progressed, we continued to add to risk assets in the portfolio largely via increased equity positions. Tactical positions built up in Japan on the Nikkei 225 Index in Autumn 2012 underpinned returns towards the end of the review year given the strong rally in Japanese equities.

We also continued to benefit from an exposure to Italian government bonds, a position we had held since July 2012. However, in the lead up to the February 2013 elections and given the potential for an inconclusive result, we took the opportunity to realise the gains on this holding.

In keeping with the 'search for yield' theme and considering opportunities in the market, we began to sell a proportion of the BlackRock Global Equity Income Fund and purchase the BlackRock Emerging Market Equity income Fund.

Towards the end of the first quarter of 2013, we introduced some protection into the portfolio by buying derivatives, given growing uncertainty in Europe in particular. We also took profits in certain areas of fixed income given increasingly stretched valuations. We also sold out of our position in UK Gilts to reduce the duration of the portfolio.

During the early spring months, when volatility was at incredibly low levels, we had taken advantage of attractive pricing in the options market to implement protection strategies relating to developed market equity exposure, specifically on the S&P 500. With regards to our holding in the Sterling Liquidity Fund, we use this to cover derivatives positions in the portfolio. The remainder is made up of active currency positions and also physical cash. We use our cash allocation to manage risk and limit volatility, this cash allocation is in line with our current view of the economic world. During the year we sold out of the majority of our commodities position, most specifically the iShares Gold Trust, as we saw weakness in precious metals as market participants have feared the end of quantitative easing from the Federal Reserve.

Outlook

Our central scenario sees a relatively strong US recovery buoyed by improving private sector fundamentals. The Federal Reserve's forecast to taper Quantitative Easing (QE) sooner than markets expected has elevated short term downside risks, hence we will continue to monitor various factors such as flow data, correlations and sentiment closely. Nevertheless, longer term we still expect a robust, sustainable US recovery.

Deteriorating macroeconomic data in Europe has been a cause for concern for most of 2013 and expectations for a gradual recovery in activity have been pushed back into the second half of this year, although more recently we have seen the deterioration in the macroeconomic backdrop diminish. In summary, volatility could well remain elevated.

Against this backdrop the requirement for tactical and risk-controlled asset allocation remains critical when seeking to both add value and limit drawdowns. Despite the material spike in asset correlations recently, we maintain our conviction in many of the key return-seeking themes currently represented in the portfolio.

BlackRock Investment Management (UK) Limited
(Investment Adviser)
22 August 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.

EU Savings Directive

The Fund has been reviewed against the requirements of the directive 2003/48/EC on taxation of savings in the form of interest payments (ESD), following the HM Revenue & Customs' debt investment reporting guidance notes.

Under the Directive, information is collected about the payment of distributions to residents in certain other countries and is reported to HM Revenue & Customs to be exchanged with tax authorities in those countries.

The Fund falls within the 25% debt investment reporting threshold. This means that details of all distributions and redemption proceeds paid to non UK investors will be reported by Legal & General (Unit Trust Managers) Limited to HM Revenue & Customs to be exchanged with the relevant tax authorities.

Effective Yield

At the balance sheet date, the Fund is accounting for revenue from debt securities on an effective yield basis. Effective yield considers the difference between purchase and redemption price of each security, and spreads that discount or premium across the life of the security. This may result in an increase in distributable revenue but will be offset by a corresponding decrease in capital value. As a result, it does not affect the total return of the Fund.

Significant Changes

New Unit Class: I-Class and F-Class

With effect from 31 October 2012, the Fund launched a new I-Class, with distribution and accumulation units available.

With effect from 19 December 2012, the Fund launched a new F-Class, with 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:

A-Class	£20
R-Class	£20
I-Class	£1,000,000
F-Class	£500

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.

Manager

Legal & General (Unit Trust Managers) Limited
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Call charges will vary. We may record and monitor calls.

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Independent Auditors

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