

Legal & General
UK Smaller Companies Trust
**Annual Manager's
Short Report
for the year ended
18 June 2013**



Investment Objective and Policy

The investment objective of this Trust is to maximise capital growth from a portfolio of UK securities, which will largely consist of smaller companies, which may be selected from all economic sectors.

The Manager's policy for putting this into effect will be to invest primarily in those companies that comprise the lowest 10% by capitalisation of the main UK equity markets.

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.

The Trust can invest in securities which are issued by smaller companies and, therefore, there is likely to be increased volatility in price movements. The securities may also be less liquid than securities on larger exchanges which are generally traded more frequently.

Trust Facts

Period End Dates for Distributions:		18 Dec, 18 Jun
Distribution Dates:		18 Feb, 18 Aug
Ongoing Charges Figures:	18 Jun 13	18 Jun 12
E-Class	1.68%	1.67%
R-Class	1.68%	1.67%
I-Class*	0.79%	—
F-Class**	1.18%	—

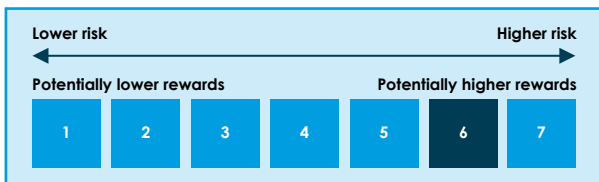
* There is no prior year comparative for the I-Class which launched on 17 August 2012.

** There is no prior year comparative 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
18 Jun 11			
E-Class			
Distribution Units	£157,952,211	487.93p	32,371,631
Accumulation Units	£6,489,547	526.84p	1,231,787
R-Class			
Distribution Units	£5,672,926	487.93p	1,162,642
Accumulation Units	£10,378,563	526.84p	1,969,962
18 Jun 12			
E-Class			
Distribution Units	£146,625,842	469.66p	31,219,483
Accumulation Units	£6,075,467	512.00p	1,186,604
R-Class			
Distribution Units	£5,864,354	469.66p	1,248,634
Accumulation Units	£10,156,677	512.00p	1,983,709
18 Jun 13			
E-Class			
Distribution Units	£194,510,340	613.51p	31,704,636
Accumulation Units	£7,321,952	673.33p	1,087,431
R-Class			
Distribution Units	£53,098,824	613.51p	8,654,958
Accumulation Units	£14,903,018	673.33p	2,213,344
I-Class*			
Distribution Units	£84,228	626.28p	13,449
Accumulation Units	£32,527	692.51p	4,697
F-Class**			
Distribution Units	£1,128	626.67p	180
Accumulation Units	£6,990	690.03p	1,013

* There are no prior year comparatives for the I-Class which launched on 17 August 2012.

** There are no prior year comparatives for the F-Class which 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

E-Class

The distribution payable on 18 August 2013 is 2.6902p net per unit for distribution units and 2.9397p net per unit for accumulation units.

R-Class

The distribution payable on 18 August 2013 is 2.6902p net per unit for distribution units and 2.9397p net per unit for accumulation units.

I-Class

The distribution payable on 18 August 2013 is 5.3827p net per unit for distribution units and 5.9493p net per unit for accumulation units.

F-Class

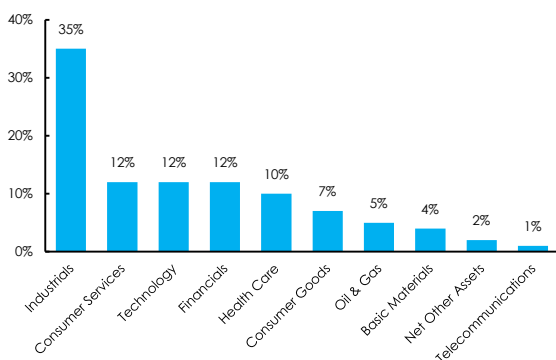
The distribution payable on 18 August 2013 is 4.7722p net per unit for distribution units and 5.0858p net per unit for accumulation units.

Portfolio Information

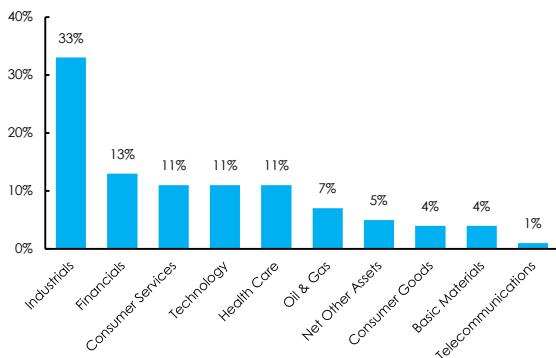
The top 10 holdings and their associated weighting for the current and preceding year are:

Top 10 Holdings at 18 June 2013		Top 10 Holdings at 18 June 2012	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
Xaar	3.44%	RPC Group	3.48%
Victrex	2.51%	Victrex	3.09%
Senior	2.47%	Senior	2.72%
Euromoney Institutional Investor	2.12%	Euromoney Institutional Investor	2.60%
Keller	1.81%	Domino Printing Sciences	2.16%
PayPoint	1.76%	NCC Group	2.04%
Northgate	1.76%	Ultra Electronics Holdings	2.01%
Dechra Pharmaceuticals	1.76%	Premier Oil	1.94%
Paragon Group	1.74%	Vectura	1.72%
RPC Group	1.73%	Dechra Pharmaceuticals	1.71%

Trust Holdings as at 18 June 2013



Trust Holdings as at 18 June 2012



Unit Price Range and Net Revenue

E-Class Units

Year	Highest Offer	Lowest Bid	Net Revenue
Distribution Units			
2008	400.30p	234.30p	1.7456p
2009	368.40p	231.90p	4.4072p
2010	480.20p	339.90p	2.8212p
2011	529.10p	416.00p	2.3061p
2012	558.60p	447.30p	2.7157p
2013 ⁽¹⁾	639.50p	554.70p	3.8443p
Accumulation Units			
2008	419.80p	246.70p	1.8303p
2009	394.30p	245.80p	4.6592p
2010	518.60p	364.90p	3.0254p
2011	573.50p	450.80p	2.4895p
2012	610.40p	485.50p	2.9561p
2013 ⁽¹⁾	698.80p	606.10p	4.1981p

R-Class Units

Year	Highest Offer	Lowest Bid	Net Revenue
Distribution Units			
2008	420.40p	234.30p	1.7456p
2009	386.90p	231.90p	4.4072p
2010	504.20p	339.90p	2.8212p
2011	555.60p	416.00p	2.3061p
2012	586.50p	447.40p	2.7157p
2013 ⁽¹⁾	671.50p	554.70p	3.8443p
Accumulation Units			
2008	440.80p	246.70p	1.8303p
2009	414.10p	245.80p	4.6592p
2010	544.50p	364.90p	3.0254p
2011	602.20p	450.80p	2.4895p
2012	640.90p	485.50p	2.9561p
2013 ⁽¹⁾	733.80p	606.10p	4.1981p

⁽¹⁾ The above tables show the highest offer and lowest bid prices to 18 June 2013 and the net revenue per unit to 18 August 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

I-Class Units*

Year	Highest Offer	Lowest Bid	Net Revenue
Distribution Units			
2012 ⁽¹⁾	570.30p	504.50p	—
2013 ⁽³⁾	655.10p	566.40p	8.1909p
Accumulation Units			
2012 ⁽¹⁾	625.10p	550.10p	—
2013 ⁽³⁾	718.20p	620.80p	9.1639p

F-Class Units**

Year	Highest Offer	Lowest Bid	Net Revenue
Distribution Units			
2012 ⁽²⁾	570.70p	542.00p	—
2013 ⁽³⁾	655.20p	566.70p	4.7722p
Accumulation Units			
2012 ⁽²⁾	623.60p	592.20p	—
2013 ⁽³⁾	715.80p	619.30p	5.0858p

* There are no prior year comparatives for the I-Class which launched on 17 August 2012.

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

⁽¹⁾ The above table shows the highest offer and lowest bid prices from 17 August 2012 to 31 December 2012.

⁽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 18 June 2013 and the net revenue per unit to 18 August 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

From 12pm on 18 June 2012 to 12pm on 18 June 2013, the bid price of the Trust's R-Class distribution units rose from 470.8p to 614.9p, an increase of 30.6%. This compares to a rise in the benchmark (Numis Securities Smaller Companies ex Investment Trust Index) of 31.2% 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.

Market/Economic Review

Stock market performance has been very strong despite UK economic news being poor. Unemployment remains elevated at 7.8% according to the International Labour Organisation (ILO), and wage data is weak, just 1.3% higher than a year ago (including bonuses). Coupled with inflation (as measured by the Consumer Prices Index (CPI)) at 2.9% this means that the squeeze on consumers' real income continued during the year. The government continued to promote its agenda of fiscal prudence and the Bank of England (BoE) continued to do its best to boost the economy with low interest rates and further quantitative easing.

There has been some progress, the Funding for Lending scheme appears to have increased lending to small and medium-sized enterprises (SMEs) at sensible interest rates, along with the 'Help to Buy' scheme announced in the latest budget. This seems to have had an immediate impact on both house prices and mortgage approvals as it helps towards the deposit needed on new homes. The impact on supply of new homes is yet to be proven.

The UK's malaise is in part attributable to what is going on in the rest of the World. Europe, despite a robust German economy, continues to struggle through some of the liquidity issues surrounding Italy and Spain. In the US, the economy is recovering faster as the Federal Reserve has continued its policy of quantitative easing and has successfully offset some of the impacts of the 'fiscal cliff' (the simultaneous expiry of tax breaks with the introduction of tax increases and spending cuts towards the end of 2012) and sequestration (a procedure in US law that limits the size of the federal budget). Finally emerging markets, although still growing quickly, have slowed and China in particular has seen less dynamic growth.

Therefore, stock market performance has been positive in spite of the wider economy, even with there being earnings downgrades. This performance would seem to reflect the general availability of money and the desire to find yield, where equities have been cheap relative to bonds and other asset classes. This buoyancy in markets has led to a flurry of initial public offerings in mid cap stocks, but has not yet been matched by a pick up in merger and acquisition activity. At the sector level, performance has been stronger in the domestic consumer related areas - leisure, retail and house builders - as the UK economy has been no worse than expected. Industrial and mining stocks, more exposed to growth in Emerging markets have not performed as well.

Manager's Investment Report continued

Trust Review

The Trust has performed marginally behind benchmark, but provided a significant return to investors. The under performance is in part explained by being more weighted towards industrial stocks than the domestic consumers stocks.

Individual stock price moves have been very sharp, particularly to the upside, with several more than doubling. Xaar, a print head manufacturer, has been highly successful with its new product and has gone up over 300% and is now the largest holding in the Trust. Keller, the construction company, has also seen a strong recovery and more than doubled, again a significant position in the Trust. On the downside Severfield Rowen, a steel fabricator, has had a difficult contract and required refinancing, falling over a third.

The Trust has participated in some new issues, the most significant being Trinity Exploration, an oil production and exploration business. The company looks both undervalued and has a management team experienced in creating value. Other new issues included Clinigen Group and Crest Nicholson. Generally they have performed well, with Clinigen up over two thirds. There has also been a range of placings for working capital, and for acquisitions including Entertainment One and Vertu.

On the 2 November 2012 the Trust was merged with the Legal and General (Barclays) 500 Trust. This has required a certain amount of activity as some additional holdings were taken on. Every effort was being made to minimise dealing costs whilst moving the Trust to its optimal shape. The merger added approximately £47 million to the overall value of the Trust.

Despite this, Trust dealing has been relatively light over the period. There has been significant selling of E2V, RPC and Melrose over the year as their investment stories have largely played out. Domino Printing has also been a source of cash as its valuation has approached its target price. On the buy side, we added Hyder Consulting, which has strong market positions, particularly in the Middle East. The Trust also added Carclo, which has an exciting replacement technology for tablet screens.

Outlook

The last weeks of the review year saw a reversal in fortunes as global stock markets fell on the news that the Federal Reserve was considering reducing the amount of bonds that it is buying on a monthly basis. Although this has not started, nor is certain, it has reintroduced significant uncertainty into stock markets. The impact of this withdrawal of liquidity is unclear, both on markets and on economic growth. Whilst yields will rise, the impact on equities is less certain as the decline in central bank liquidity should be offset by improving economic growth and earning prospects.

In any event it is likely that growth over the next 12 months will remain below trend. It should, in the developed world, represent an improvement over the last 12 months as the US recovery

Manager's Investment Report continued

becomes entrenched, Europe no longer falters and the UK emerges from a very difficult period. The potential flies in the ointment are Emerging markets and China, especially where there may well be a disappointing growth performance.

In summary, positive returns will depend on a continued recovery in growth rates, with a broadly supportive monetary policy being withdrawn skilfully and a lack of further financial surprises. In particular it will need to be reflected in improving earnings, not just a re-rating of existing stocks. As always the Trust will retain its stock picking approach, looking for companies and management teams that can deliver earnings growth in all environments.

Legal & General Investment Management Limited
(Investment Adviser)
16 July 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

Fund Merger

As a result of the Extraordinary General Meeting on 26 October 2012, the Legal & General (Barclays) 500 Trust merged into the Legal & General UK Smaller Companies Trust on 2 November 2012. On this date, the Legal & General (Barclays) 500 Trust ceased to exist, its net assets were transferred into the Legal & General UK Smaller Companies Trust, and unitholders of the Legal & General (Barclays) 500 Trust have been allocated units in the Legal & General UK Smaller Companies Trust to the exact same value of their holding before the merger took place.

New Unit Classes: I-Class and F-Class

With effect from 17 August 2012, the Trust launched a new I-Class, with distribution and accumulation units available.

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

F-Classes 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:

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

In addition, monthly contributions can be made into the R-Class and F-Class only, with a minimum amount of £50 per month.

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

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**Authorised and regulated by the
Financial Conduct Authority**

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