Distribution Number 26

Legal & General Dynamic Bond Trust

Annual Manager's Short Report for the year ended 5 September 2013

Investment Objective and Policy

The investment objective is to achieve a total return by investing principally in a range of fixed and variable rate income securities.

The Trust will have a wide discretionary (unconstrained) approach to asset allocation and may invest in Investment Grade and sub-Investment Grade securities with a credit rating from a recognised credit rating service or which are listed or traded in an OECD country.

A significant proportion (90%) of the Trust's exposure to non-Sterling denominated holdings will be hedged into Sterling.

While the Trust will generally seek to invest principally in a combination of income securities and their derivatives, (including credit default swaps and other Over the Counter (OTC) instruments), it may also invest in any or all of the following: collective investment schemes, equities, other transferable securities, money market instruments/cash, near cash and deposits. At times, the Trust may invest in cash, near cash and/or deposits up to 100% and have derivatives exposures of up to 100% of the Trust's assets.

Risk Profile

Credit Risk

This Trust 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 Trust holds investments in overseas financial securities. The performance of the Trust 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.

Interest Rate Risk

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

Investment Risk

Financial derivative instruments may be used to enhance investment returns, manage risk and to help protect returns from market falls. There may be a higher risk of loss by investing in a trust which uses derivatives in this way, than if you choose a trust which doesn't use derivatives to enhance performance. This risk is managed by policies laid out in the Derivatives Risk Management Process for the Trust.

Trust Facts

Period End Dates for Distributions:	5 Mar, Jun, Sep, Dec	
Distribution Dates:	5 Feb, May, Aug, Nov	
Ongoing Charges Figures:	5 Sep 13	5 Sep 12
R-Class	1.42%	1.42%
I-Class	0.63%	0.64%
L-Class	0.03%	0.04%
X-Class	0.63%	0.64%
F-Class*	0.92%	—

* 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) and all costs suffered through holdings in underlying Collective Investment Schemes, 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

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 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 four because it invests in a flexible mixture of bonds. These generally provide higher rewards and higher risks than investments in cash and lower rewards and lower risks than investments in company shares.
- 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
5 Sep 11			
R-Class			
Distribution Units	£259,125,071	61.26p	422,977,362
Accumulation Units	£383,449,028	74.59p	514,059,236
I-Class			
Distribution Units	£528,494,122	62.14p	850,538,021
Accumulation Units	£120,335,888	76.62p	157,056,551
L-Class			
Distribution Units	£149,157,976	62.95p	236,931,058
X-Class			
Distribution Units	£132,344,534	62.52p	211,690,346
Accumulation Units	£33,712,224	81.75p	41,240,504
5 Sep 12			
R-Class			
Distribution Units	£255,366,847	62.76p	406,879,766
Accumulation Units	£346,013,958	79.09p	437,486,947
I-Class			
Distribution Units	£521,382,991	63.87p	816,256,942
Accumulation Units	£116,699,044	81.82p	142,634,405
L-Class			
Distribution Units	£151,408,174	64.91p	233,251,937
X-Class			
Distribution Units	£138,058,740	64.26p	214,838,883
Accumulation Units	£39,610,912	88.15p	44,935,105
5 Sep 13			
R-Class			
Distribution Units	£182,090,993	64.82p	280,904,043
Accumulation Units	£298,294,205	84.52p	352,934,746
I-Class			
Distribution Units	£655,672,609	66.20p	990,453,188
Accumulation Units	£131,665,529	88.06p	149,526,435
L-Class			
Distribution Units	£258,380,960	67.48p	382,907,856
X-Class			
Distribution Units	£170,475,457	66.60p	255,972,683
Accumulation Units	£70,168,321	95.75p	73,282,210
F-Class*			
Distribution Units	£13,767	65.53p	21,009
Accumulation Units	£164,450	85.58p	192,168

* 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.

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

Distribution Information

R-Class

The distribution payable on 5 November 2013 is 0.5653p net per unit for distribution units and 0.7211p net per unit for accumulation units.

I-Class

The distribution payable on 5 November 2013 is 0.6390p net per unit for distribution units and 0.8417p net per unit for accumulation units.

L-Class

The distribution payable on 5 November 2013 is 0.6923p net per unit for distribution units.

X-Class

The distribution payable on 5 November 2013 is 0.8004p gross per unit for distribution units and 1.1368p gross per unit for accumulation units.

F-Class

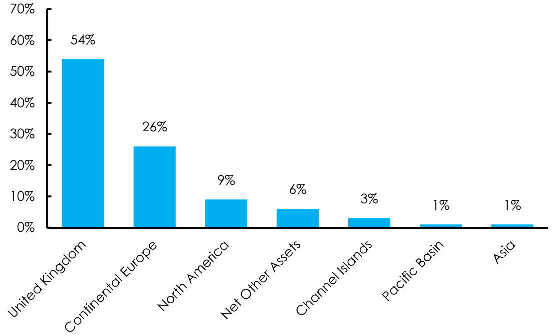
The distribution payable on 5 November 2013 is 0.5826p net per unit for distribution units and 0.7516p net per unit for accumulation units.

Portfolio Information

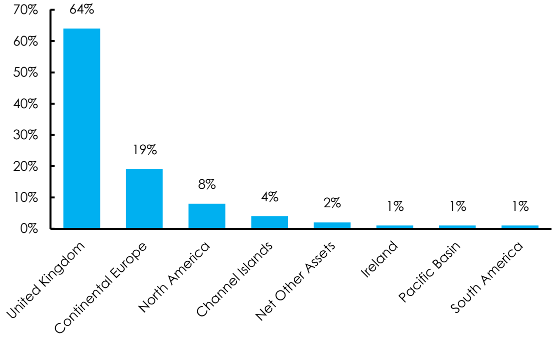
The top 10 holdings and their associated weighting for the current and preceding year are:

Top 10 Holdings at 5 September 2013		Top 10 Holdings at 5 September 2012	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
Legal & General High Income Trust R-Class	9.89%	Treasury 1.75% 22/01/2017	11.98%
Treasury 4.5% 07/09/2034	2.57%	Legal & General High Income Trust R-Class	9.88%
Treasury 0.125% Index-Linked 22/03/2029	2.39%	Treasury 0% 24/09/2012	4.72%
Bank of Scotland 11% 17/01/2014	2.08%	Treasury 4.5% 07/03/2019	3.80%
Scottish & Southern Energy 5.453% Open Maturity	2.05%	Treasury 0.125% Index-Linked 22/03/2029	3.00%
Treasury 1.25% Index-Linked 22/11/2017	1.63%	Treasury 0.75% Index-Linked 22/03/2034	1.76%
Italy (Republic of) 6% 04/08/2028	1.44%	Treasury 4% 22/01/2060	1.56%
National Westminster Bank 7.875% 09/09/2015	1.44%	HSBC Holdings Floating Rate 18/10/2022	1.35%
Scottish Widows 5.125% Open Maturity	1.36%	Morgan Stanley 5.75% 14/02/2017	1.33%
Treasury 1.25% Index-Linked 22/11/2027	1.32%	Clydesdale Bank 4.625% 08/06/2026	1.30%

Trust Holdings as at 5 September 2013



Trust Holdings as at 5 September 2012



Unit Price Range and Revenue

R-Class Units*

Year	Highest Offer	Lowest Bid	Net Revenue
Distribution Units			
2008	50.63p	43.18p	2.3334p
2009	64.20p	45.69p	2.5676p
2010	68.50p	61.16p	2.7088p
2011	67.88p	57.25p	2.4311p
2012	67.81p	58.88p	2.0962p
2013(1)	69.74p	64.38p	2.2243p
Accumulation Units			
2008	52.64p	46.18p	2.4032p
2009	72.80p	49.48p	2.7933p
2010	80.28p	70.72p	3.0844p
2011	81.19p	69.74p	2.8826p
2012	86.07p	72.42p	2.5895p
2013(1)	89.44p	82.79p	2.8387p

I-Class Units

Year	Highest Offer	Lowest Bid	Net Revenue
Distribution Units			
2008	49.32p	43.40p	2.4548p
2009	62.91p	45.95p	2.7105p
2010	67.31p	61.79p	2.9550p
2011	66.83p	58.12p	2.6939p
2012	67.11p	59.81p	2.3709p
2013(1)	69.12p	65.72p	2.5205p
Accumulation Units			
2008	51.41p	46.57p	2.5462p
2009	71.78p	49.95p	2.9595p
2010	79.61p	71.44p	3.3913p
2011	80.80p	71.69p	3.2294p
2012	86.63p	74.56p	2.9637p
2013(1)	90.26p	85.84p	3.2923p

* A-Class units were replaced by R-Class units on 14 June 2010.

(1) The above tables show the highest offer and lowest bid prices to 5 September 2013 and the net revenue per unit to 5 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.

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

Unit Price Range and Revenue continued

L-Class Units

Year	Highest Offer	Lowest Bid	Net Revenue
Distribution Units			
2008	49.48p	43.60p	2.5775p
2009	63.44p	46.11p	2.8388p
2010	68.06p	62.37p	3.1321p
2011	67.68p	58.90p	2.8851p
2012	68.29p	60.66p	2.5500p
2013[1]	70.42p	66.96p	2.7213p

X-Class Units*

Year	Highest Offer	Lowest Bid	Gross Revenue
Distribution Units			
2008	49.58p	43.65p	3.2347p
2009	63.49p	46.23p	3.5155p
2010	67.88p	62.20p	3.7205p
2011	67.41p	58.46p	3.3962p
2012	67.68p	60.17p	2.9938p
2013[1]	69.64p	66.17p	3.1585p
Accumulation Units			
2008	52.37p	47.88p	3.3873p
2009	72.24p	51.60p	4.0018p
2010	84.25p	75.30p	4.4444p
2011	86.00p	76.49p	4.2748p
2012	93.64p	79.57p	3.9900p
2013[1]	97.86p	92.79p	4.4144p

* G-Class units were replaced by X-Class units on 8 May 2009.

[1] The above tables show the highest offer and lowest bid prices to 5 September 2013 and the revenue per unit to 5 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.

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

Unit Price Range and Revenue continued

F-Class Units*

Year	Highest Offer	Lowest Bid	Net Revenue
Distribution Units			
2012[1]	66.31p	64.92p	—
2013[2]	68.41p	65.03p	1.7656p
Accumulation Units			
2012[1]	84.30p	82.54p	—
2013[2]	87.80p	83.53p	2.2852p

* 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 19 December 2012 to 31 December 2012.

(2) The above table shows the highest offer and lowest bid prices to 5 September 2013 and the net revenue per unit to 5 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.

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 bid price of the Trust's R-Class accumulation units rose by 6.87%. This compares to a rise in the IBoxx Sterling Non-Gilts Index of 1.45% over the review year, 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.

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

Market/Economic Review

The global economy has faced some headwinds over the review year. Initially, the European sovereign debt crisis held centre stage as policymakers struggled to address concerns that several heavily indebted countries would be forced to leave the euro. The emerging market economies were initially the driving force of global growth, but there has been a slowdown in China as the authorities attempt to cool credit-fuelled spending. Governments in the G7 countries have to varying degrees implemented austerity programmes, while simultaneously leaving interest rates at historically low levels. In the US, UK and Japan, this has been accompanied by further asset purchases and quantitative easing (QE), aimed at reviving growth.

As US economic data began to improve in the latter part of the review year, concerns that the Federal Reserve (Fed) would scale back QE emerged in May 2013. These were subsequently vindicated as Fed Chairman Bernanke announced in June that, should the economy continue to recover in line with forecasts, the pace of QE would be tapered during the second half of 2013, with the bond-buying programme on course to end by mid-2014. This sparked a slide in bond and equity markets that lasted into late June. Reassurance that US interest rate rises were not on the immediate horizon, coupled with a bout of some softer US economic data, helped bond markets recover in July, only to lose ground in August on fresh signs that the US employment market was strengthening, potentially paving the way for QE to be wound down. This volatility around expected interest rate movements is likely to continue.

Meanwhile, the euro zone economic backdrop improved as, led by Germany, the region finally emerged from recession. In the UK, there were also encouraging signs of growth, as supportive credit conditions boosted the housing market and evidence emerged of increased consumer spending. Despite the better economic data posted across developed markets, lingering concerns include the prolonged austerity programmes in the euro zone and the potential impact from a slowdown in the major emerging economies.

Trust Review

Over the year under review, we have biased the Trust towards higher yielding assets from regions of the world and sectors of the market supported by LGIM's macroeconomic views. At the start of the review period, Europe faced considerable risks and we maintained a particularly cautious stance towards peripheral

Europe. However, as central banks implemented significant stimulus measures, markets were driven by technical factors such as central bank liquidity and investors' demand for yield. As a result, we participated in well-priced Italian and Spanish new issues such as Atlantia and Gas Natural, taking profits several weeks later following a strong rally in the secondary market. Rather than reflecting a fundamental change of view towards the region, these positions sought to benefit from the demand / supply dynamics in the market. We felt comfortable taking short-dated exposure to specific names with an attractive yield, where the company has sufficient liquidity to avoid default.

Within more resilient sectors of the global bond market, we sought opportunities to invest further down the capital structure – accepting a higher level of subordination in return for greater total return potential. Examples included a BB rated subordinated bond issued by UK airports operator Heathrow (previously known as BAA) and perpetual/undated bonds issued by UK utilities.

We added to our high yield exposure, in part through the new issues market. With talk of 'tapering' the focus for investors from late spring, we sought to invest in sectors with less sensitivity to interest rates movements. This included higher spread parts of the high yield market: for example, emerging market names in late 2012 such as Zhaikmunai International, although these were pared back during the first few months of 2013 in favour of bonds issued by companies positioned to benefit from improvements in US and UK consumer and business spending.

We retained around one quarter of the Trust invested in financials – another higher yielding sector of the market, favouring lower tier 2 bonds from UK and US banks and insurers.

Bernanke's comments on the likely reduction of asset purchases impacted markets around the world, and rising government bond yields were a key factor in driving down investment grade bonds. Investors were concerned that corporate financial strength and profits would suffer if central banks reduced the size of stimulus programmes, with high quality corporates particularly negatively affected as these are relatively long-dated and offer little additional yield over treasuries. Emerging market bonds also posted large losses, flipping from relative outperformance in the first half of the review period to underperforming the fixed income sector in the second half as fears of reduced global liquidity reversed the flows of money into emerging market debt.

During the period under review, the Trust moved to a net short position in investment grade bonds using derivatives, including credit default swaps (CDS) and options on CDS. Credit spreads on investment grade non-financials are very low (back to pre-credit crisis levels in many areas of the market) and with little in the way of yield to cushion returns from underlying moves in government bond yields, the sector looked likely to be relatively volatile. By hedging out our investment grade risk (instead taking risk in higher yielding, lower duration areas of the market), we aimed to reduce Trust volatility.

We believed that central banks would rather aim for modestly higher rates with gradually improving growth rather than risking choking off economic recovery. By the end of the review period, verbal interventions by central banks supported this sentiment and US treasury yields stabilised in a higher range. Against this background, the Trust kept its interest rate risk low at around 2 years, although the manager tactically adjusted duration around what are expected to be range-bound bond yields – adding duration when we thought rates were near the top of their range, and paring back interest rate risk when rates fell in order to minimise the impact of subsequent rises. Keeping duration very low in an environment without any clear trend also helps to minimise volatility in the Trust.

Outlook

Looking at the outlook for the UK economy, credit conditions are improving modestly and UK economic growth is expected to be greater and quicker than elsewhere in Europe for the remainder of this year and next. The Bank of England has affirmed its resolve to prevent interest rates from rising prematurely and potentially derailing any recovery, with the new Governor Mark Carney providing forward guidance on monetary policy to the markets.

US economic data has continued to stabilise, and the prospect of tapering this year now looks priced into the market. In the euro zone, despite recent evidence that rising export demand and improving domestic consumption are helping to drive Germany's economic outlook, we believe that the outlook remains more subdued as the underlying causes of the debt crisis have yet to be addressed, which makes prudent stock selection especially important in the region.

There are a number of potential risks looking ahead, not least US debt negotiations, Middle East volatility and European political uncertainty, but the market does not seem particularly vulnerable unless the situation markedly deteriorates. Should the economic backdrop improve in line with consensus forecasts, corporate bonds should continue to be supported in the medium term.

Legal & General Investment Management Limited
(Investment Adviser)
27 September 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 Trust 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 Trust 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.

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
X-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.

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
Registered office:
One Coleman Street,
London EC2R 5AA
Telephone: 0370 050 3350
Authorised and regulated by the Financial Conduct Authority

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

Trustee
National Westminster Bank Plc
Trustee and Depositary Services
135 Bishopsgate
London EC2M 3UR
Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority

Independent Auditors
PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT

Legal & General
(Unit Trust Managers) Limited
Registered in England No. 01009418
Registered office:
One Coleman Street,
London EC2R 5AA
www.legalandgeneral.com
DBT1113