

Legal & General Target Return Fund

**Interim Manager's
Short Report
for the period ended
31 January 2014**

**EVERY
DAY
MATTERS.®**



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.

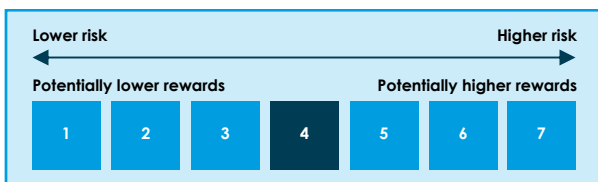
Fund Facts

Period End Dates for Distributions:	31 Jan, 31 Jul	
Distribution Dates:	31 Mar, 30 Sep	
Ongoing Charges Figures:	31 Jan 14	31 Jul 13
A-Class	1.73%	1.74%
R-Class	1.73%	1.74%
I-Class	0.84%	0.85%
F-Class	1.23%	1.24%

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



- 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
31 Jan 14			
A-Class			
Accumulation Units	£460,889,097	142.36p	323,753,534
R-Class			
Accumulation Units	£300,586,405	142.36p	211,148,190
I-Class*			
Distribution Units	£1,070	140.79p	760
Accumulation Units	£16,648,143	144.33p	11,535,141
F-Class**			
Accumulation Units	£1,073	143.26p	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 31 March 2014 is 0.5360p net per unit for accumulation units.

R-Class

The distribution payable on 31 March 2014 is 0.5360p net per unit for accumulation units.

I-Class

The distribution payable on 31 March 2014 is 1.1434p net per unit for distribution units and 1.1628p net per unit for accumulation units.

F-Class

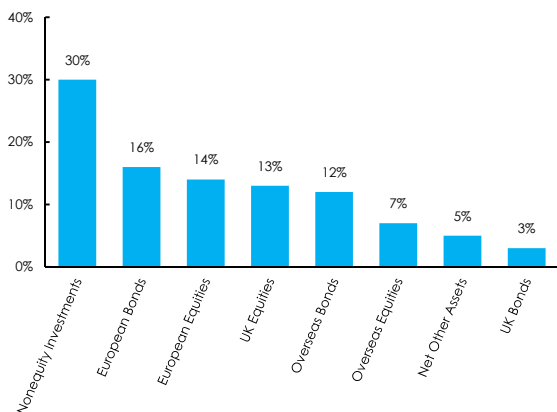
The distribution payable on 31 March 2014 is 0.8851p net per unit for accumulation units.

Portfolio Information

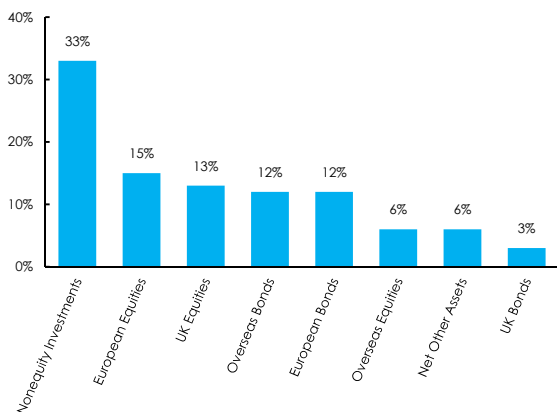
The top 10 holdings and their associated weighting for the current period and preceding year are:

Top 10 Holdings at 31 January 2014		Top 10 Holdings at 31 July 2013	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
Institutional Cash Series - Institutional Sterling Liquidity Fund	11.74%	Institutional Cash Series - Institutional Sterling Liquidity Fund	18.01%
Republic of Portugal 4.75% 14/06/2019	2.81%	Goldman Sachs Global High Yield Portfolio Fund	4.24%
iShares J.P. Morgan \$ Emerging Markets	2.70%	BlackRock Emerging Markets Equity Fund	3.73%
BlackRock Emerging Markets Equity Fund	2.64%	Allegro Investment Corporation 0% 13/09/2013	2.81%
BlackRock Strategic - European Credit Strategic Fund	2.57%	BlackRock Strategic - European Credit Strategic Fund	2.45%
Scottish Mortgage & Trust	2.54%	BH Macro (GBP)	2.43%
Stone Harbor-Emerging Market Debt 'I' \$ Acc	2.43%	Scottish Mortgage & Trust	2.19%
BH Macro (GBP)	2.22%	NB Global Floating Rate Income Fund	2.05%
iShares STOXX Europe Mid 200 UCITS ETF	2.05%	Bluecrest AllBlue Fund	2.02%
Republic of Italy 4.5% 01/05/2024	2.02%	NB Distressed Debt Investment Fund	1.70%

Fund Holdings as at 31 January 2014



Fund Holdings as at 31 July 2013



Unit Price Range and Net Revenue

A-Class Units

Year	Highest Offer	Lowest Bid	Net Revenue
Accumulation Units			
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	143.80p	133.70p	1.2140p
2014 ⁽²⁾	145.40p	142.40p	0.5360p

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	143.80p	133.70p	1.2140p
2014 ⁽²⁾	145.40p	142.40p	0.5360p

⁽¹⁾ From 29 August 2009.

⁽²⁾ The above tables show the highest and lowest prices to 31 January 2014 and the net revenue per unit to 31 March 2014.

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.

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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	143.20p	133.60p	2.1130p
2014 ⁽³⁾	144.90p	141.90p	1.1434p
Accumulation Units			
2012 ⁽¹⁾	134.00p	130.70p	—
2013	145.70p	134.40p	2.1228p
2014 ⁽³⁾	147.40p	144.40p	1.1628p

F-Class Units**

Year	Highest Offer	Lowest Bid	Net Revenue
Accumulation Units			
2012 ⁽²⁾	133.80p	133.30p	—
2013	144.60p	134.10p	1.6901p
2014 ⁽³⁾	146.30p	143.30p	0.8851p

* 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⁾ From 31 October 2012.

⁽²⁾ From 19 December 2012.

⁽³⁾ The above tables show the highest and lowest prices to 31 January 2014 and the net revenue per unit to 31 March 2014.

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Manager's Investment Report

During the period under review, the Fund's R-Class accumulation units rose by 3.4%. The UK Base rate during the review period 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

Asset class performance in the six months to the 31st of January 2014 was characterised by expectations of future central bank policy. Over the period, we saw strong economic data issued from developed market economies, however this data was greeted hesitantly by equity markets for much of the time as expectations of a U.S. Federal Reserve (Fed) decision to taper monthly asset purchases in December gathered momentum.

In the summer, we saw significant pockets of volatility being led largely by the Fed's mooting of plans to phase out its \$85 billion per month asset purchase program. We then saw the Fed decide to shelve these plans at the September meeting, defying market expectations before finally making the decision to taper towards the end of the quarter. The period also saw the US Congress once again battle over the country's fiscal issues resulting in the shutdown of "non-essential" government services. However despite this, the macroeconomic environment continued to improve with strong economic data coupled with an unexpected US fiscal agreement colluding to push US 10 year yields higher.

In Europe, the second half of 2013 saw a significant improvement in the macroeconomic backdrop. What began as an improvement in peripheral economic data, soon spread to the core European economies. The strength of the data has been reasonably broad based with both domestic and external demand showing significant improvement. During September the acceleration in economic data momentum abated somewhat, however given the dramatic improvement in recent months, this stabilization was to be expected. As we moved through the fourth quarter the data continued to improve with the exception of France.

As we entered 2014, risk assets such as equities began to sell off on the back of profit taking and concern around the outlook for emerging markets. January's reversal in risk asset performance serves as a stark reminder that a continuation of the macroeconomic recovery into 2014 is far from certain and that even the relatively strong US recovery is not immune to emerging market woes. While the Fed has begun to slowly remove abundant liquidity from the financial system, monetary policy expectations are still the key drivers of return and central banks will need to tread carefully as they seek to

Manager's Investment Report continued

reduce monetary stimulus. Any complacency amongst central bankers is likely to be punished disproportionately by the market participants.

Fund Review

Within equities, our holdings in the BlackRock British Smaller Companies Trust portfolio and Scottish Mortgage Investment Trust were key drivers of returns. Positive performance also came from allocations to our Global Consumer Brands Basket, NASDAQ futures and the BlackRock UK Equity Portfolio. Detractors from performance largely came in the form of emerging markets exposure, specifically the BlackRock ASEAN Leaders and Emerging Market Equity Income Funds.

Performance within fixed income was more mixed. The underlying BlackRock Global Corporate Bond team made a strong positive contribution to returns, as did positions in peripheral European sovereign debt. Some of this performance was offset by our allocation to emerging market hard currency bonds. Alternatives contributed, primarily driven by volatility strategies although our allocation to private equity also contributed at the margin.

From a positioning perspective we did not significantly alter our broad asset class allocation. We have maintained a high allocation to developed market equities as we continue to see good value opportunities and wide equity risk premium. Within equities we added some exposure to Europe through a mid-cap exchange traded fund (ETF) and Spanish equity exposure. We reduced our exposure to US equities through selling our position in NASDAQ futures. We added to our positions in emerging markets through a customised basket of Chinese equities.

Within fixed income, we initiated a position in a USD emerging market debt ETF. Our view is that the recent shift in global fixed income markets has created opportunities on a yield and valuation basis. We also took the opportunity to increase our allocation to Italian and Portuguese government bonds in line with our research views.

Outlook

Our central view is unchanged. Continued improvements in US and European economic data signalling on-going progress will continue to push markets higher on the back of increased capital expenditure and continued improvements in consumer demand. We are constructive on equities given relatively fair valuations and wide equity risk premium. We expect the Fed's policy to remain accommodative over an extended period of time.

We have become more constructive around Europe due to a marked improvement in macro-economic data and a more stable political environment. However, further mutualisation of the European banking sector and a successful implementation of European Central Bank's asset quality review is needed to restart the flow of credit.

Manager's Investment Report continued

Broadly, we view growth in emerging markets as more challenged. Monetary policy is likely to remain a significant determinant of returns in the medium term.

BlackRock Investment Management (UK) Limited
(Investment Adviser)
25 February 2014

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.

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

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

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.

Authorised Fund Manager

Legal & General (Unit Trust Managers) Limited

Registered in England and Wales 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

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Trustee and Depositary Services

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Authorised by the Prudential Regulation Authority and regulated

by the Financial Conduct Authority and the Prudential

Regulation Authority

Independent Auditors

PricewaterhouseCoopers LLP

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London SE1 2RT

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Financial Conduct Authority**

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