

Legal & General UK Smaller Companies Trust
Interim Manager's Report
for the period ended
18 December 2023
(Unaudited)



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Manager's Investment Report

Investment Objective and Policy

The objective of the Trust is to provide growth above that of the Numis Smaller Companies ex-Investment Companies Index TR, the "Benchmark Index". The Trust aims to outperform the Benchmark Index over rolling three year periods after the deduction of all fees and expenses.

The Trust is actively managed and invests at least 70% in the shares of UK companies that are in the lowest 10% by capitalisation of UK stock markets. These companies are incorporated, headquartered or which have their principal business activities in the UK, or companies that are listed in the UK and constituents of the Benchmark Index.

Over a market cycle (typically 3 to 5 years), the Trust will comprise on average 50 to 100 companies selected by the Manager following research of each company.

The Trust may also invest in collective investment schemes including those managed or operated by the Manager or an affiliate of the Manager as well as participatory notes, preference shares, cash, permitted deposits and money market instruments (such as Treasury bills).

In addition, the Trust is also permitted to receive and hold warrants and convertible bonds as a result of corporate actions.

The Trust may only hold derivatives for the purposes of Efficient Portfolio Management.

Manager's Investment Report

During the year under review, the published price of the Trust's R-Class accumulation units decreased by 2.02%. This compares to a rise in the Benchmark Index of 2.99% 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.

Market/Economic Review

Over the six months under review, inflationary pressures and tighter monetary policy continued to dominate the thoughts of market participants. Fears of an economic slowdown remained at the forefront of the minds of investors but, even with inflation falling across developed markets, most observers expected that interest rates would remain higher for longer. Sentiment changed sharply towards the very end of the period under review as a result of the US Federal Reserve (Fed) pivot and a much more dovish outlook from Jay Powell, triggering a broad rally in equity markets.

For the period under review, UK equities lagged the global average. At the sector level, while technology and energy enjoyed strong performances, these were more than offset by weakness from other sectors. Telecoms endured a difficult six months, while healthcare and consumer staples also lagged.

Trust Review

Against this background, the Trust underperformed its Benchmark Index over the period, driven primarily by weak security selection. The largest drag on performance stemmed from industrials (predominantly via DiscoverIE Group and Strix Group), consumer discretionary (via CVS Group) and financials (via OSB Group and CMC Markets).

Some bright spots came from owning Dechra Pharmaceuticals, Hill & Smith and Cranswick which performed strongly in the period under review.

Manager's Investment Report continued

On the asset allocation side, our overweight positioning in healthcare detracted across the period as this was the second worst performing sector after telecommunications. This poor sector performance arose from the steady stream of newsflow beginning in August regarding GLP-1s, and the associated market scare about the effects this would have on demand for some healthcare/medtech products over the long term. By contrast, our overweight to industrials served us well.

In terms of trading activity, it was a busy period overall. Following the discipline of the investment process, we exited some companies which had become too small, or illiquid, for us to hold. We introduced some new stock positions into the portfolio (such as XPS Pensions Group, Kitwave Group and Renew Holdings) which have strong fundamentals and exciting growth prospects. We also used market movements and liquidity opportunities to reduce some stocks in which our conviction diminished (e.g., OneSavings Bank, Clarkson, Luceco). Overall, given the macroeconomic backdrop we used the six months to position more defensively – reducing exposure to cyclicals.

Outlook

Looking ahead, the fall in bond yields and the weaker US Dollar has significantly eased credit conditions. In addition, the Fed's dovish pivot signals that it is prepared to ease monetary policy further, even before inflation is brought fully under control. This should boost economic growth going forward and reduces the chance of a US recession in 2024, in our view. However, equity and credit markets have already reacted to this, with valuations at elevated levels as we start the new year. Anything but a US soft landing could therefore be a disappointment for investors. In addition, inflation is still some distance from target, while growth prospects are still challenged across Europe and China. Furthermore, geopolitical risk remains a potential headwind, particularly as we head into a busy year for elections. This all suggests that economic optimism should be tempered somewhat.

Legal & General (Unit Trust Managers) Limited
(Investment Adviser)
27 January 2024

Important Note from the Manager

COVID-19

On 5 May 2023, the WHO Director-General concurred with the advice offered by the International Health Regulations (2005) (“IHR”) Emergency Committee regarding the Coronavirus 2019 disease (COVID-19) pandemic and determined that COVID-19 is now an established and ongoing health issue which no longer constitutes a Public Health Emergency of International Concern (“PHEIC”).

The Manager continues to monitor the COVID-19 pandemic on an on-going basis.

Manager's Investment Report continued

Geopolitical Events

In response to events in Eastern Europe and the Middle East, the Manager is closely monitoring financial markets and any potential liquidity and volatility risks which may have an impact on the Trust. On 5 May 2023, the WHO Director-General concurred with the advice offered by the International Health Regulations (2005) ("IHR") Emergency Committee regarding the Coronavirus 2019 disease (COVID-19) pandemic and determined that COVID-19 is now an established and ongoing health issue which no longer constitutes a public health emergency of international concern ("PHEIC").

Legal & General (Unit Trust Managers) Limited
(Investment Adviser)
December 2023

Authorised Status

Authorised Status

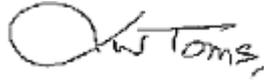
This Trust is an Authorised Unit Trust Scheme as defined in section 243 of the Financial Services and Markets Act 2000 and is a UCITS Retail Scheme within the meaning of the FCA Collective Investment Schemes sourcebook.

Directors' Statement

We hereby certify that this Manager's Report has been prepared in accordance with the requirements of the FCA Collective Investment Schemes sourcebook.



A. J. C. Craven
(Director)



L. W. Toms
(Director)

Legal & General (Unit Trust Managers) Limited
8 February 2024

Portfolio Statement

Portfolio Statement as at 18 December 2023

All investments are in ordinary shares unless otherwise stated. The percentages in brackets show the equivalent holdings at 18 June 2023.

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	EQUITIES — 99.50% (99.04%)		
	UNITED KINGDOM		
	— 92.02% (92.21%)		
	Chemicals — 2.53% (3.25%)		
196,717	Trealtt	831,129	0.47
246,000	Victrex	3,680,160	2.06
		4,511,289	2.53
	General Industrials — 0.63% (0.54%)		
1,473,133	Coats Group	1,119,581	0.63
	Industrial Engineering		
	— 5.59% (6.56%)		
220,986	Hill & Smith	4,101,500	2.30
3,169,859	Severfield	1,939,954	1.09
830,529	Vesuvius	3,920,097	2.20
		9,961,551	5.59
	Industrial Transportation		
	— 2.30% (2.86%)		
125,029	Clarkson	4,019,682	2.26
23,994	Wincanton	74,142	0.04
		4,093,824	2.30
	Beverages — 1.32% (1.16%)		
463,163	AG Barr	2,357,500	1.32
	Food Producers — 1.88% (2.93%)		
87,639	Cranswick	3,347,810	1.88
	Leisure Goods — 0.94% (0.00%)		
111,192	Keywords Studios	1,668,992	0.94
	Personal Goods — 1.24% (1.35%)		
1,457,234	PZ Cussons	2,217,910	1.24
	Media — 3.47% (2.67%)		
82,264	4imprint Group	3,784,144	2.12
486,539	Reach	342,524	0.19
190,404	YouGov	2,056,363	1.16
		6,183,031	3.47
	Banks — 0.00% (0.10%)		
	Life Insurance — 0.18% (0.16%)		
387,466	Just Group	327,796	0.18
	Real Estate Investment Trusts		
	— 7.20% (6.79%)		
4,545,607	Empiric Student Property	4,236,506	2.38
2,492,597	Hammerson	694,438	0.39
3,039,228	Urban Logistics REIT	3,750,407	2.10

Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	Real Estate Investment Trusts — (cont.)		
738,325	Workspace Group	4,149,386	2.33
		<hr/> 12,830,737	<hr/> 7.20
	Industrial Metals and Mining — 1.78% (1.26%)		
533,860	Bodycote	3,165,790	1.78
	Electronic and Electrical Equipment — 3.11% (5.11%)		
568,691	DiscoverIE Group	4,322,051	2.42
422,311	Luceco	503,395	0.28
31,832	Oxford Instruments	727,361	0.41
		<hr/> 5,552,807	<hr/> 3.11
	Oil, Gas and Coal — 2.13% (2.70%)		
363,583	Energean	3,561,296	2.00
429,751	EnQuest	55,137	0.03
83,821	Serica Energy	178,874	0.10
		<hr/> 3,795,307	<hr/> 2.13
	Non-life Insurance — 0.51% (0.52%)		
172,070	Beazley	917,133	0.51
	Software and Computer Services — 5.82% (6.29%)		
347,477	Bytes Technology Group	2,022,316	1.14
126,640	FD Technologies ¹	1,332,253	0.75
199,091	Moneysupermarket.com Group	524,804	0.29
2,619,923	NCC Group	3,337,782	1.87
239,201	Softcat	3,159,845	1.77
		<hr/> 10,377,000	<hr/> 5.82
	Travel and Leisure — 5.58% (3.66%)		
1,802,244	Firstgroup	3,004,341	1.68
2,125,975	Goals Soccer Centres ²	—	—
1,860,045	Gym Group	1,941,887	1.09
832,718	On the Beach Group	1,440,602	0.81
1,137,524	Trainline	3,562,725	2.00
		<hr/> 9,949,555	<hr/> 5.58
	Household Goods and Home Construction — 2.17% (3.08%)		
585,783	Redrow	3,482,480	1.95
748,643	Watkin Jones	383,305	0.22
		<hr/> 3,865,785	<hr/> 2.17
	Technology Hardware and Equipment — 0.00% (0.00%)		
3,338,400	Celoxica Holdings ²	—	—
	Pharmaceuticals and Biotechnology — 2.99% (3.00%)		
80,141	Dechra Pharmaceuticals	3,079,017	1.73
82,620	Genus	1,700,320	0.95

Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	Pharmaceuticals and Biotechnology — (cont.)		
46,890	Indivior	542,986	0.31
		<hr/>	<hr/>
		5,322,323	2.99
	Investment Banking and Brokerage Services — 11.61% (11.04%)		
457,115	AJ Bell	1,414,314	0.79
1,632,001	CMC Markets	1,597,729	0.90
117,455	IG Group Holdings	874,452	0.49
70,507	Impax Asset Management Group	377,918	0.21
623,796	IntegraFin Holdings	1,828,970	1.03
257,454	Mattioli Woods ¹	1,596,215	0.90
282,588	Molten Ventures	807,071	0.45
232,899	OSB Group	1,013,576	0.57
581,528	Paragon Banking Group	3,698,518	2.07
675,940	Tatton Asset Management ¹	3,393,219	1.90
1,730,583	XPS Pensions Group	4,101,482	2.30
		<hr/>	<hr/>
		20,703,464	11.61
	Real Estate Investment and Services — 2.01% (2.50%)		
310,042	Rightmove	1,729,414	0.97
197,368	Savills	1,852,299	1.04
		<hr/>	<hr/>
		3,581,713	2.01
	Personal Care, Drug and Grocery Stores — 1.48% (0.00%)		
55,048	Greggs	1,364,089	0.76
500,283	Kitwave Group	1,275,722	0.72
		<hr/>	<hr/>
		2,639,811	1.48
	Retailers — 7.67% (7.31%)		
1,377,188	Card Factory	1,418,504	0.80
273,106	CVS Group	4,437,972	2.49
75,489	Dunelm Group	852,271	0.48
1,265,896	Halfords Group	2,448,243	1.37
212,073	Howden Joinery Group	1,731,788	0.97
905,549	Pets at Home Group	2,780,035	1.56
		<hr/>	<hr/>
		13,668,813	7.67
	Medical Equipment and Services — 1.78% (1.89%)		
1,496,689	Advanced Medical Solutions Group ¹	3,165,497	1.78
	Aerospace and Defense — 2.30% (2.07%)		
5,500	Avon Protection	45,980	0.02
22,360	Chemring Group	74,235	0.04
2,269,556	Senior	3,989,880	2.24
		<hr/>	<hr/>
		4,110,095	2.30
	Industrial Support Services — 5.63% (3.93%)		
68,160	Diploma	2,421,043	1.36

Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	Industrial Support Services — (cont.)		
306,461	FDM Group Holdings	1,291,733	0.72
355,691	Mitie Group	352,134	0.20
708,762	Pagegroup	3,460,176	1.94
372,011	Redde Northgate	1,337,380	0.75
463,912	RWS Holdings	1,097,616	0.62
17,409	SThree	72,421	0.04
		<hr/>	
		10,032,503	5.63
	Telecommunications Service Providers — 0.13% (0.12%)		
15,334	Telecom Plus	234,610	0.13
	Construction and Materials — 8.04% (9.36%)		
521,116	Genuit Group	2,032,352	1.14
374,324	Keller Group	3,054,484	1.71
417,326	Renew Holdings	3,480,499	1.95
571,763	Tyman	1,703,854	0.96
955,425	Volution Group	4,062,467	2.28
		<hr/>	
		14,333,656	8.04
	BERMUDA — 0.09% (0.09%) Oil, Gas and Coal — 0.09% (0.09%)		
133,935	Gulf Keystone Petroleum	153,222	0.09
	CHANNEL ISLANDS — 4.32% (2.52%) Precious Metals and Mining — 0.29% (0.25%)		
518,830	Centamin	514,160	0.29
	Investment Banking and Brokerage Services — 3.76% (2.10%)		
470,426	JTC	3,728,126	2.09
543,313	Man Group	1,250,163	0.70
912,655	TP ICAP Group	1,730,394	0.97
		<hr/>	
		6,708,683	3.76
	Industrial Metals and Mining — 0.27% (0.17%)		
78,904	Yellow Cake	483,287	0.27
	GIBRALTAR — 0.00% (0.44%) Travel and Leisure — 0.00% (0.44%)		
	ISLE OF MAN — 0.87% (1.19%) Electronic and Electrical Equipment — 0.87% (1.19%)		
2,111,049	Strix Group ¹	1,543,177	0.87
	ISRAEL — 0.61% (0.53%) Investment Banking and Brokerage Services — 0.61% (0.53%)		
67,255	Plus500	1,092,894	0.61

Portfolio Statement continued

Holding/ Nominal Value	Investment	Market Value £	% of Net Assets
	UNITED STATES — 1.59% (2.06%)		
	Industrial Support Services — 1.59% (2.06%)		
2,055,440	Boku ¹	2,836,507	1.59
Portfolio of investments³		177,367,813	99.50
Net other assets⁴		893,688	0.50
Total net assets		£178,261,501	100.00%

¹ These securities are quoted on the Alternative Investment Market and comprise 7.79% of the net assets of the Trust.

² Delisted securities are valued at the Manager's best assessment of their fair and reasonable value.

³ All investments are admitted to an official stock exchange unless otherwise stated.

⁴ Includes shares in the LGIM Sterling Liquidity Fund Class 1 to the value of £1,557,523 and shares in the LGIM US Dollar Liquidity Fund to the value of £45 which are shown as a cash equivalent in the balance sheet of the Trust.

Total purchases for the period: £44,075,933.

Total sales for the period: £51,045,434.

Financial Statements

Statement of Total Return for the period ended 18 December 2023

	18/12/23		18/12/22	
	£	£	£	£
Income				
Net capital losses		(6,186,889)		(8,472,898)
Revenue	3,188,920		3,312,747	
Expenses	(469,491)		(596,047)	
Interest payable and similar charges	(55)		—	
Net revenue before taxation	<u>2,719,374</u>		<u>2,716,700</u>	
Taxation	(8,421)		—	
Net revenue after taxation for the period		<u>2,710,953</u>		<u>2,716,700</u>
Total return before distributions		(3,475,936)		(5,756,198)
Distributions		(2,710,953)		(2,716,700)
Change in net assets attributable to Unitholders from investment activities		<u>£(6,186,889)</u>		<u>£(8,472,898)</u>

Statement of Change in Net Assets attributable to Unitholders for the period ended 18 December 2023

	18/12/23		18/12/22	
	£	£	£	£
Opening net assets attributable to Unitholders		192,380,910		216,782,306
Amounts received on issue of units	8,853,171		3,179,465	
Amounts paid on cancellation of units	<u>(18,904,952)</u>		<u>(12,158,566)</u>	
		(10,051,781)		(8,979,101)
Change in net assets attributable to Unitholders from investment activities		(6,186,889)		(8,472,898)
Retained distributions on accumulation units		2,119,170		2,048,688
Unclaimed distributions		91		285
Closing net assets attributable to Unitholders		<u>£178,261,501</u>		<u>£201,379,280</u>

The difference between the opening net assets and the comparative closing net assets is the movement in the second half of the year.

Financial Statements continued

Balance Sheet as at 18 December 2023

	18/12/23 £	18/06/23 £
ASSETS		
Fixed assets:		
Investments	177,367,813	190,524,458
Current assets:		
Debtors	495,907	901,233
Cash and bank balances	—	3,078,797
Cash equivalents	1,557,568	—
Total assets	<u>179,421,288</u>	<u>194,504,488</u>
LIABILITIES		
Creditors:		
Distributions payable	(524,558)	(593,652)
Other creditors	(635,229)	(1,529,926)
Total liabilities	<u>(1,159,787)</u>	<u>(2,123,578)</u>
Net assets attributable to Unitholders	<u>£178,261,501</u>	<u>£192,380,910</u>

Trust Information

Net Asset Values and Units in Issue

Class	Net Asset Value (£)	Units in Issue	Net Asset Value per Unit (p)
R-Class			
Distribution Units	4,014,272	474,307	846.34
Accumulation Units	110,485	10,907	1,012.97
F-Class			
Accumulation Units	742	68	1,091.18
I-Class			
Distribution Units	35,268,374	4,066,008	867.40
Accumulation Units	26,887,748	2,377,738	1,130.81
C-Class			
Accumulation Units	55,837,034	111,738,256	49.97
L-Class			
Accumulation Units	56,142,846	104,089,418	53.94

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.

Ongoing Charges Figures

	18 Dec 23	18 Jun 23
R-Class	1.43%	1.43%
F-Class	1.03%	1.03%
I-Class	0.78%	0.78%
C-Class	0.60%	0.60%
L-Class	0.05%	0.05%

The Ongoing Charges Figure (OCF) is the ratio of the Trust's total disclosable 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 fund and is calculated based on the last period's figures.

Trust Information continued

Distribution Information

R-Class

The distribution payable on 18 February 2024 is 8.7719p per unit for distribution units and 10.3915p per unit for accumulation units.

F-Class

The distribution payable on 18 February 2024 is 13.3088p per unit for accumulation units.

I-Class

The distribution payable on 18 February 2024 is 11.8777p per unit for distribution units and 15.2853p per unit for accumulation units.

C-Class

The distribution payable on 18 February 2024 is 0.7176p per unit for accumulation units.

L-Class

The distribution payable on 18 February 2024 is 0.9152p per unit for accumulation units.

Risk and Reward Profile



- The Risk and Reward Indicator table demonstrates where the Trust ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is not guaranteed to remain the same and may change over time. It is based on historical data and may not be a reliable indication of the future risk profile of the Trust. The shaded area in the table above shows the Trust's ranking on the Risk and Reward Indicator.
- The Trust is in category six because it invests in company shares which are sensitive to variations in the stock market. The value of company shares can change substantially over short periods of time. Company shares are generally considered to be higher risk investments than bonds or cash.
- Even a trust in the lowest category is not a risk free investment.

General Information

Constitution

Launch date:	9 September 1985
Period end dates for distributions:	18 December, 18 June
Distribution dates:	18 February, 18 August
Minimum initial lump sum investment:	R-Class £100 I-Class £1,000,000 C-Class* £20,000,000 L-Class** £100,000
Minimum monthly contributions:	R-Class £20 I-Class N/A C-Class* N/A L-Class** N/A
Valuation point:	12 noon
Fund Management Fees:	R-Class Annual 1.43% F-Class*** Annual 1.03% I-Class Annual 0.78% C-Class* Annual 0.60% L-Class** Annual 0.05%
Initial charge:	Nil for all existing unit classes

* Class C units are available to certain eligible investors who meet the criteria for investment in such units as outlined in the share class policy of the Manager, which is available to investors in the C-Class upon request. Where investors in the C-Class no longer continue to meet the criteria for investment in such units, further investment in such units may not be permitted.

** Class L units are only available to other Legal & General funds and/or companies which have entered into an agreement with the Manager or an affiliate of the Manager.

*** Class F units are closed to new subscriptions.

Pricing and Dealing

The prices are published on the internet at www.legalandgeneral.com/investments/funds/prices-and-reports/daily-fund-prices immediately after they become available.

Dealing in units takes place on a forward pricing basis, from 9:00am to 5:00pm, Monday to Friday.

Buying and Selling Units

Units may be bought on any business day from the Manager or through a financial adviser by completing an application form or on the internet at www.legalandgeneral.com. Units may normally be sold back to the Manager on any business day at the bid price calculated at the following valuation point.

ISA Status

This Trust may be held within this tax advantaged savings arrangement. The favourable tax treatment of ISAs may not be maintained. For full written information, please contact your usual financial adviser or ring 0370 050 0955.

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

General Information continued

Prospectus and Manager's Reports

Copies of the Prospectus and the most recent annual or interim reports are available free of charge by telephoning 0370 050 0955 or by writing to the Manager.

Do you have difficulty in reading information in print because of a disability? If so, we can help. We are able to produce information for our clients in large print and braille. If you would like to discuss your particular requirements, please contact us on 0370 050 0955.

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

Assessment of Value

Taskforce on Climate related Financial Disclosures (TCFD) Report

In accordance with the Taskforce on Climate related Financial Disclosures (TCFD) requirements, Legal & General (Unit Trust Managers) Limited (UTM) has prepared its public TCFD report which is available for investors to read and review at the following website link:

https://www.lgim.com/landg-assets/lgim/_document-library/capabilities/lgim-ltd-tcf-d-legal-entity-report-2022.pdf.

Notifiable Change

Prospectus Updates

With effect from 23 May 2023, the Prospectus was further updated to confirm that units may be redeemed in certain circumstances.

With effect from 22 December 2023, Appendix B of the prospectus was updated to clarify that up to 10% of the value of scheme property may be invested in second schemes.

General Information continued

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

Directors of the Manager

M. Ammon
E. Cowhey*
A. J. C. Craven
D. J. Hosie*
R. R. Mason
L. W. Toms

*Non-executive Director

Secretary

J. McCarthy
One Coleman Street,
London EC2R 5AA

Registrar

Legal & General (Unit Trust Managers) Limited
Four Central Square
Cardiff CF10 1FS
Authorised and regulated by the Financial Conduct Authority

Dealing: 0370 050 0956
Enquiries: 0370 050 0955
Registration: 0370 050 0955

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

Trustee

Northern Trust Investor Services Limited
Trustee and Depositary Services
50 Bank Street,
Canary Wharf,
London E14 5NT
Authorised and regulated by the Financial Conduct Authority

Independent Auditor

KPMG LLP
319 St Vincent Street,
Glasgow G2 5AS

Investment Adviser

Legal & General Investment Management Limited
One Coleman Street,
London EC2R 5AA
Authorised and regulated by the Financial Conduct Authority

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

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

