

Legal & General Ethical Trust
**Interim Manager's
Short Report**
**for the period ended
12 June 2019**



Investment Objective and Policy

The investment objective of the Trust is to secure capital growth from a portfolio of securities for companies whose business conforms to a range of ethical and environmental guidelines (as set out below).

Securities representing all such companies in the FTSE 350 Index will be held with weightings generally proportionate to their market capitalisation.

From time to time, non-Index constituents and non-ethical stocks may be held as a result of a corporate action and these holdings will be sold or transferred as soon as reasonably practical.

Companies have been excluded if they are substantially involved in or cause:

Animal testing	Military – nature of involvement
Gambling	Non-sustainable Timber
Health & safety convictions	Nuclear power
Countries with poor human rights records	Ozone depleting chemicals
Intensive farming	Pornography
Investment Trusts	Tobacco
	Water pollution

Independent monitoring of companies is carried out by Ethical Investment Research Services (“EIRIS”) based on the criteria above.

The Trust may hold derivatives for Efficient Portfolio Management purposes.

Risk Profile

Market Risk

Market risk arises mainly from uncertainty about future prices. It represents the potential loss that the Trust may suffer through holding market positions in the face of market movements. 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.

Trust Facts

Period End Dates for Distributions:	12 Jun, 12 Dec	
Distribution Dates:	12 Aug, 12 Feb	
Ongoing Charges Figures:	12 Jun 19	12 Dec 18
R-Class	0.69%	0.81%
F-Class	0.45%	0.45%
I-Class	0.31%	0.31%
L-Class ¹	0.03%	–

¹See Significant Change on page 9.

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.

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 five 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.

Distribution Information

R-Class

The distribution payable on 12 August 2019 is 1.1655p per unit for distribution units and 1.7624p per unit for accumulation units.

F-Class

The distribution payable on 12 August 2019 is 1.2495p per unit for distribution units and 1.9622p per unit for accumulation units.

I-Class

The distribution payable on 12 August 2019 is 1.2860p per unit for distribution units and 2.1489p per unit for accumulation units.

L-Class

The distribution payable on 12 August 2019 is 0.2655p per unit for accumulation units.

Net Asset Values and Units in Issue

Class	Net Asset Value (£)	Units in Issue	Net Asset Value per Unit (p)
R-Class			
Distribution Units	86,200,250	133,290,282	64.67
Accumulation Units	72,653,139	72,975,285	99.56
F-Class			
Distribution Units	88,014	135,317	65.04
Accumulation Units	232,637	223,490	104.09
I-Class			
Distribution Units	28,140,723	43,551,944	64.61
Accumulation Units	96,116,928	87,311,780	110.08
L-Class			
Accumulation Units	972	2,000	48.60

Past performance is not a guide to future performance.

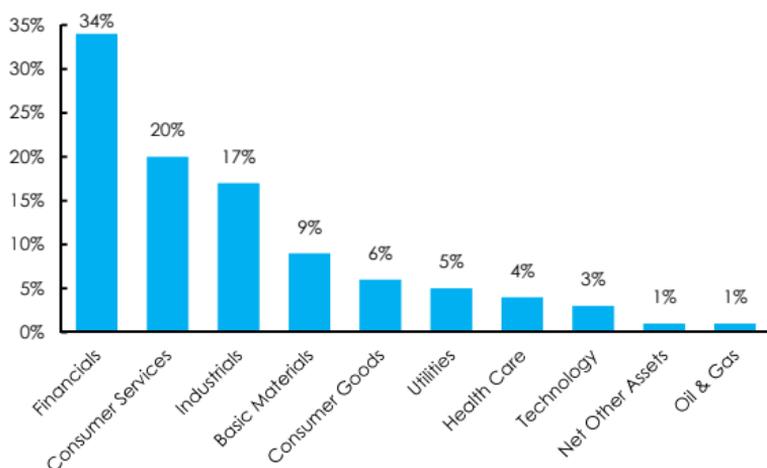
The price of units and any income from them may go down as well as up.

Portfolio Information

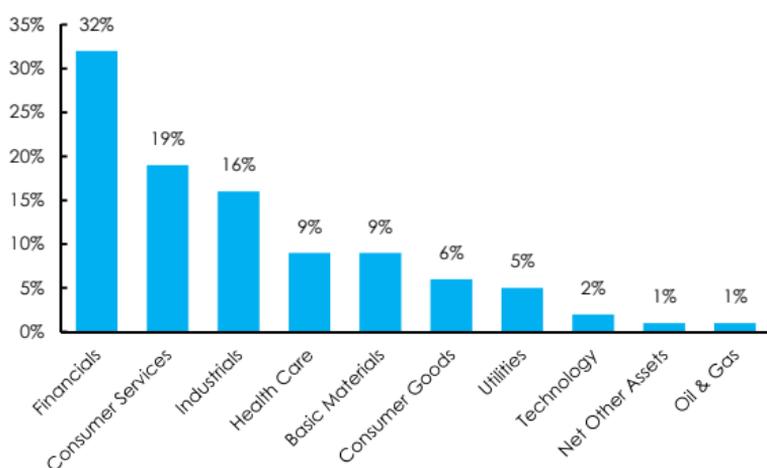
The top 10 holdings and their associated weighting at the current period end and preceding year end were:

Top 10 Holdings at 12 June 2019		Top 10 Holdings at 12 December 2018	
Holding	Percentage of Net Asset Value	Holding	Percentage of Net Asset Value
Prudential	5.28%	SHIRE	5.24%
Lloyds Banking Group	5.17%	Lloyds Banking Group	4.92%
BHP Group	4.95%	Prudential	4.84%
National Grid	3.50%	BHP Group	4.36%
Tesco	2.77%	National Grid	3.76%
Experian	2.74%	Tesco	2.52%
CRH	2.58%	Experian	2.27%
London Stock Exchange Group	2.12%	CRH	2.20%
Aviva	2.05%	Aviva	1.95%
Legal & General Group	2.03%	Legal & General Group	1.79%

Trust Holdings as at 12 June 2019



Trust Holdings as at 12 December 2018



Manager's Investment Report

During the period under review, the bid price of the Trust's R-Class distribution units rose by 11.26%. Although there is no published Index for those companies assessed as eligible by EIRIS, for comparison over the review period, the FTSE 350 Index (excluding Investment Trusts) on a capital only basis rose by 7.10%. Similarly, the broader based FTSE All-Share Index (excluding Investment Trusts) on a capital only basis rose by 7.09% (Source: Bloomberg). FTSE, the Index compiler, calculates these Indices at the end of the business day using closing prices, whereas the Trust is valued using prevailing prices at 12 noon. Therefore, for comparative purposes the Trust has been revalued using closing prices, on this basis the Trust rose by 10.79%.

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

The review period was characterised by a sharp sell-off in global equity markets as 2018 ended, followed by a marked recovery during the early months of 2019 before volatility reasserted itself as US-China trade tensions escalated in May. As a result, global equity indices posted a modest gain over the review period. The catalyst for the turnaround after the turn of the year came with a change in direction at the US Federal Reserve, which back-tracked from its tightening monetary policy and indicated that there would be no further interest-rate hikes this year. UK equities gained ground, outperforming global indices, as political developments dominated the headlines with the EU granting the UK a six-month extension to Article 50 until the end of October, which effectively removed the immediate risk of a 'no-deal' Brexit. In recent months, UK economic growth has picked up, with businesses stockpiling as a contingency measure in the event of a disorderly exit from the EU.

In the UK, the more internationally focused FTSE 100 Index (+7.08%) marginally outperformed the domestically focused FTSE 250 Index (+7.01%) and FTSE SmallCap Index (+6.66%).

Trust Activity

The Trust's selection process excludes the Tobacco and Military industries, while the Oil & Gas, Banks, Mining, Pharmaceuticals & Biotechnology and Beverages sectors are markedly underweight. Such exclusions are compensated for by an increased presence in Life Insurance, Financial Services and Support Services.

There are three principal reasons for changes to the distribution of investments in the Trust: first, changes in the list of companies which meet the ethical criteria; secondly, changes in the FTSE 350 ex Investment Trusts Index at its quarterly review; and finally, changes due to corporate activity and takeovers.

Manager's Investment Report continued

FTSE rebalances the Index every quarter and companies added to the Index are only added to the Trust once confirmation of their acceptability for inclusion is received from EIRIS.

There were two Index reviews during the review period.

In December 2018, the FTSE 350 ex Investment Trusts Index quarterly Index review resulted in four additions and six deletions. McCarthy & Stone, Acacia Mining, Aston Martin Lagonda Global, Funding Circle were added with the first two subsequently assessed as eligible by EIRIS. Kier Group, AA, On The Beach Group, Keller and Spire Healthcare Group were deleted from the Index. The largest increases in free share capital were for Polymetal International and SSE, whereas the largest decreases were for Lloyds Banking Group and Phoenix Group.

In March 2019, the quarterly Index review resulted in three additions and two deletions. Kier Group, Pets At Home Group and AJ Bell were added but only Pets at Home Group was subsequently assessed as eligible by EIRIS. Halfords Group and Superdry were deleted from the Index. The largest increases in free share capital were for Polymetal International and Genus, whereas the largest decreases were for Micro Focus International and Carnival.

There was considerable merger and acquisition activity occurring outside of the Index reviews impacting the Index including cash deals where Esure Group was acquired by Blue (BC) Bidco, Jardine Lloyd Thompson Group was acquired by MMC Treasury, Dairy Crest Group was acquired by Saputo Dairy UK Limited, Randgold Resources merged with Barrick Gold (Canada) in a stock deal.

Outside Index reviews, there were numerous changes to the free share capital of constituents. Metro Bank and SEGRO raised capital via primary placings. Sirius Minerals raised capital via Open Offer and Placing. Avast increased its weight in the Index as a result of secondary placing.

The three largest stocks in the Trust at the end of the review period were Prudential, Lloyds Banking Group and BHP Group.

Outlook

Following the rate hike in August 2018 to 0.75%, the Bank of England has kept the base rate unchanged. Despite above-target inflation, the BoE will be wary to hike again in the midst of a congested Brexit timetable. We expect UK economic growth (GDP) to be supported by the fiscal stimulus announced by the Chancellor at the end of 2018 but is still likely to be weak on account of Brexit uncertainty. We have maintained our UK GDP growth rate expectation at 1.5% in 2019 and 1.6% in 2020, which is slightly above consensus. While UK investment has slowed since 2015, some improvement is possible should a withdrawal agreement from the EU be reached by parliament. However, the Bank of England's agents' survey shows that many firms have

Manager's Investment Report continued

prepared themselves for a 'no deal' Brexit and some have also already implemented those plans.

The Trust remains well positioned to capture the performance of the Index.

Legal & General Investment Management Limited

(Investment Adviser)

5 July 2019

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.

Dual Pricing Arrangement

The Manager's fixed dual pricing arrangement has a set spread to account for the costs of transacting in a particular Trust. Where the Manager operates a box through which unit subscriptions and unit redemptions are netted into a single trade instruction to the Trustee, the netting reduces the actual transaction costs and this generates a revenue to the Manager. The revenue generated from this activity is calculated on a monthly basis and returned to the Trust in the form of a payment from the Manager. This provides an enhanced return to the Trust, though the size of any return will be dependent on the size of subscriptions and redemptions.

Minimum Investment Amounts

The minimum initial lump sum investment amounts for each class are as follows:

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

In addition, monthly contributions can be made into the R-Class with a minimum amount of £20 per month, and F-Class, with a minimum amount of £50 per month.

Class F units are available to:

- i) investors who have received advice from authorised intermediaries, platforms or other distributors in relation to their investment in units in the Trust; and
- ii) distributors who the Manager reasonably considers will adequately bear the costs of marketing to and acquiring investors at no or limited cost to the Manager, and to whom the Manager has confirmed that such distributor or investor meets the criteria for investment in such units.

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

Other Information

The information in this report is designed to enable unitholders to understand how the Trust 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 Trust can be obtained by telephoning 0370 050 0955 or by writing to the Manager.

Significant Change

New Unit Class: L-Class

L-Class accumulation units were launched on 25 April 2019.

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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Canary Wharf,

London E14 5NT

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority

Independent Auditors

KPMG LLP

15 Canada Square,

London E14 5GL

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

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