

Legal & General  
European Equity Income Fund  
**Final Manager's  
Short Report  
for the period ended  
30 April 2019**





## Investment Objective and Policy

The objective of the Fund is to generate income in excess of the FTSE Europe excluding UK Index over rolling three year periods. The Fund does not aim to generate income by sacrificing capital, hence it also aims to achieve capital appreciation in excess of the benchmark. These objectives are before the deduction of any charges.

The Fund will predominantly invest in the shares of companies domiciled in Europe, excluding UK. The Fund may also invest in convertibles, preference shares, warrants, permitted deposits, money market instruments, cash, near cash and units in collective investment schemes. The collective investment schemes in which the Fund may invest in may include schemes which are managed or operated by, or whose authorised corporate director is, the Manager or one of its associates. The Fund may also invest up to 10% of the scheme property in the shares of companies domiciled in the UK and in countries outside Europe.

The Fund may use derivatives for Efficient Portfolio Management only.

## Risk Profile

### Market Risk

Market risk arises mainly from uncertainty about future prices. It represents the potential loss the Fund 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.

### 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.

## Fund Facts

Period End Dates for Distributions:	30 Apr, 31 Jul, 31 Oct and 31 Jan
Distribution Dates:	30 Jun, 30 Sep, 31 Dec and 31 Mar
Ongoing Charges Figures:	30 Apr 19 <sup>1</sup>
I-Class	0.80%
C-Class	0.60%
L-Class	0.05%

<sup>1</sup> There are no comparative figures shown as the Fund launched on 19 December 2017.

The Ongoing Charges Figure (OCF) is the ratio of the Fund's total disclosable costs (excluding overdraft interest) 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



- The Risk and Reward Indicator table demonstrates where the Fund 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 Fund. The shaded area in the table above shows the Fund's ranking on the Risk and Reward Indicator.
- The Fund 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 fund in the lowest category is not a risk free investment.

## Distribution Information

### I-Class

The distribution payable on 30 June 2019 is 0.6426p per unit for distribution units and 0.6635p per unit for accumulation units.

### C-Class

The distribution payable on 30 June 2019 is 0.6435p per unit for distribution units and 0.6655p per unit for accumulation units.

### L-Class

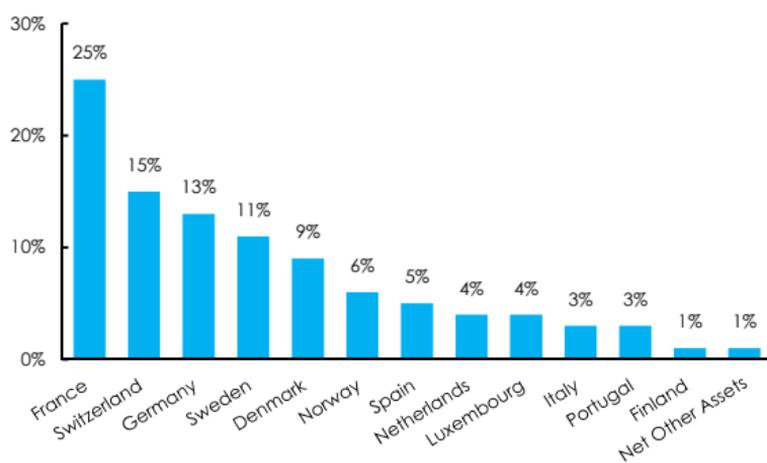
The distribution payable on 30 June 2019 is 0.6478p per unit for distribution units and 0.6696p per unit for accumulation units.

## Portfolio Information

The top 10 holdings and their associated weighting for the current period end were:

Top 10 Holdings at 30 April 2019	
Holding	Percentage of Net Asset Value
Novo Nordisk	3.93%
AXA	3.43%
Daimler	3.29%
Eni	3.28%
SAP	3.28%
UBS Group	2.84%
BNP Paribas	2.83%
Zurich Insurance 'A'	2.79%
Adecco Group	2.77%
ING Groep	2.64%

## Fund Holdings as at 30 April 2019



There are no comparative figures shown as the Fund launched on 19 December 2017.

## Comparative Tables

### I-Class Distribution Units

#### Change in Net Asset Value per Unit

Accounting Period ending	19/12/17 to 30/04/19 <sup>1</sup> (pence per unit)
Opening net asset value per unit	50.00
Return before operating charges*	(0.56)
Operating charges (calculated on average price)	(0.49)
Return after operating charges*	(1.05)
Distributions on income units	(2.34)
Closing net asset value per unit	46.61
* after direct transaction costs of:	0.02

#### Performance

Return after charges	(2.10)%
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#### Other Information

Closing net asset value (£)	92,975
Closing number of units	199,483
Operating charges†	0.80%
Direct transaction costs	0.05%

#### Prices

Highest unit price	50.84p
Lowest unit price	41.54p

<sup>1</sup> There are no comparative figures shown as the Fund launched on 19 December 2017.

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**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.**

## Comparative Tables continued

### I-Class Accumulation Units

#### Change in Net Asset Value per Unit

Accounting Period ending	19/12/17 to 30/04/19 <sup>1</sup> (pence per unit)
Opening net asset value per unit	50.00
Return before operating charges*	(0.67)
Operating charges (calculated on average price)	(0.51)
Return after operating charges*	(1.18)
Distributions	(2.38)
Retained distributions on accumulation units	2.38
Closing net asset value per unit	48.82
* after direct transaction costs of:	0.02

#### Performance

Return after charges	(2.36)%
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#### Other Information

Closing net asset value (£)	78,273
Closing number of units	160,317
Operating charges†	0.80%
Direct transaction costs	0.05%

#### Prices

Highest unit price	51.55p
Lowest unit price	42.85p

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## Comparative Tables continued

### C-Class Distribution Units

#### Change in Net Asset Value per Unit

Accounting Period ending	19/12/17 to 30/04/19 <sup>1</sup> (pence per unit)
Opening net asset value per unit	50.00
Return before operating charges*	(0.57)
Operating charges (calculated on average price)	(0.39)
Return after operating charges*	(0.96)
Distributions on income units	(2.34)
Closing net asset value per unit	46.70
* after direct transaction costs of:	0.02

#### Performance

Return after charges	(1.92)%
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#### Other Information

Closing net asset value (£)	934
Closing number of units	2,000
Operating charges <sup>†</sup>	0.60%
Direct transaction costs	0.05%

#### Prices

Highest unit price	50.86p
Lowest unit price	41.59p

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## Comparative Tables continued

### C-Class Accumulation Units

#### Change in Net Asset Value per Unit

Accounting Period ending	19/12/17 to 30/04/19 <sup>1</sup> (pence per unit)
Opening net asset value per unit	50.00
Return before operating charges*	(0.66)
Operating charges (calculated on average price)	(0.39)
Return after operating charges*	(1.05)
Distributions	(2.38)
Retained distributions on accumulation units	2.38
Closing net asset value per unit	48.95
* after direct transaction costs of:	0.02

#### Performance

Return after charges	(2.10)%
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#### Other Information

Closing net asset value (£)	979
Closing number of units	2,000
Operating charges†	0.60%
Direct transaction costs	0.05%

#### Prices

Highest unit price	51.62p
Lowest unit price	42.94p

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## Comparative Tables continued

### L-Class Distribution Units

#### Change in Net Asset Value per Unit

Accounting Period ending	19/12/17 to 30/04/19 <sup>1</sup> (pence per unit)
Opening net asset value per unit	50.00
Return before operating charges*	(0.60)
Operating charges (calculated on average price)	(0.03)
Return after operating charges*	(0.63)
Distributions on income units	(2.35)
Closing net asset value per unit	47.02
* after direct transaction costs of:	0.02

#### Performance

Return after charges	(1.26)%
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#### Other Information

Closing net asset value (£)	255,288,858
Closing number of units	542,900,199
Operating charges†	0.05%
Direct transaction costs	0.05%

#### Prices

Highest unit price	50.96p
Lowest unit price	41.79p

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## Comparative Tables continued

### L-Class Accumulation Units

#### Change in Net Asset Value per Unit

Accounting Period ending	19/12/17 to 30/04/19 <sup>1</sup> (pence per unit)
Opening net asset value per unit	50.00
Return before operating charges*	(0.64)
Operating charges (calculated on average price)	(0.03)
Return after operating charges*	(0.67)
Distributions	(2.39)
Retained distributions on accumulation units	2.39
Closing net asset value per unit	49.33
* after direct transaction costs of:	0.02

#### Performance

Return after charges	(1.34)%
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#### Other Information

Closing net asset value (£)	29,881,121
Closing number of units	60,571,437
Operating charges†	0.05%
Direct transaction costs	0.05%

#### Prices

Highest unit price	51.84p
Lowest unit price	43.18p

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## **Manager's Investment Report**

During the period under review since launch on 19 December 2017, the bid price of the Fund's I-Class accumulation units fell by 2.40%. This compares to a rise in the FTSE Europe (excluding UK) Index of 1.40% on a total return basis (Source: Bloomberg).

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## **Market/Economic Review**

In contrast to 2017 growth has become less synchronised and more uneven across countries and regions. The period saw two sharp sell-offs in global equity markets but was followed by a marked recovery in the first half of 2019. As a result, global equity indices have rallied to post respectable returns through the past six months. The catalyst for this turnaround came with a change in direction at the US Federal Reserve, which back-tracked from tightening monetary policy and indicated that there would be no further interest rate hikes this year. While the Eurozone economy grew at its fastest pace for a decade in 2017, there was a sharp loss of momentum during 2018. The European Central Bank (ECB) confirmed it had reached the end of its monthly asset purchase programme in December, and signalled interest rates are likely to remain on hold as inflation remains subdued.

After much volatility over the period, European equity markets gained ground but ultimately disappointed relative to other developed markets. The ECB has downgraded its growth forecast for the Eurozone, although early 2019 GDP figures for the Eurozone economy highlighted an upturn in activity during the first quarter after a sharp slowdown during the second half of 2018. The German economy also picked up, while Italy emerged from recession buoyed by an increase in net exports. Since the turn of 2019, more economically sensitive industrials and technology stocks have rebounded sharply too.

## **Fund Review**

The Fund delivered a negative return over the period amid considerable market volatility over 2018. It has been a particularly difficult period for the European automotive sector as Chinese trade tariff concerns have taken their toll.

Multi-line insurer AXA delivered a negative return over 2018 after the group announced the acquisition of US business XL Group.

## **Manager's Investment Report continued**

While this deal was consistent with communicated objectives, it was bigger than the market expected. XL is heavily biased towards primary commercial reinsurance, one of three key areas of acquisition focus for AXA.

Ingenico Group was a major contributor to performance later in the period as the share rallied on the back of a strong showing from management at the recent capital markets day. Overall, we were encouraged by evidence of the focus on improving execution, the double-digit growth potential in the Retail division and renewed opportunities to return the legacy payment terminals business to growth.

This has been a busy period for corporate access and engagement. We have met a considerable number of companies owned in the portfolio. This included a site visit to ArcelorMittal's recently purchased plant in Italy, in addition to one-to-one meetings with Carrefour, Daimler, Pandora and Zurich Insurance amongst others.

The Fund's overweight allocation in European banks remains a key contrarian call, which has been a drag on performance through the beginning of 2019. The sector remains out of favour, despite offering what we consider to be attractive attributes to investors on both income and value grounds.

In terms of activity, we sold our holding of Bayer, which was a big underperformer on the back of news related to Glyphosate litigation risk in the US. We also exited our position of ASML, following strong performance.

During the period we introduced a new holding of Norsk Hydro, the fully integrated aluminium company. Based on our research, aluminium demand should have a strong future due to its strength vs. weight characteristics, which is essential given its significant sensitivity to the raw material price. Norsk Hydro also has a strong cost position in terms of mining and smelting. It mostly uses hydro-electric power, hence it operates at the environmentally friendly end of the aluminium industry, and this should prove to be a competitive advantage over time. In recent times, the company has suffered short-term issues due to a water problem, and a cyber-attack, which offered an opportunity to enter the stock at a lower valuation versus its history.

## **Outlook**

While we acknowledge a slowdown in economic growth, this correction does not automatically mean recession. Eurozone forecasts were under pressure for most of 2018 in the face of a slowing domestic economy, and those forces intensified during the

## **Manager's Investment Report continued**

final quarter. We could also see opportunity for a number of stocks to surprise on the upside, given robust fundamentals from a bottom-up perspective. We feel that slower growth is now a 'known known' and there is clear value in areas of the global market. In this context, we remain optimistic that a less negative narrative can unfold and boost markets as we move through 2019.

Legal & General Investment Management Limited

(Investment Adviser)

24 May 2019

## **Manager's Report and Accounts**

Copies of the most recent Annual or Interim 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](http://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 Fund.

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 Fund in the form of a payment from the Manager. This provides an enhanced return to the Fund, 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:

I-Class	£1,000,000
C-Class	£50,000,000
L-Class	£100,000

C-Class 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.

## **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.

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## **Significant Change**

### **General Data Protection Regulation (GDPR)**

Legal & General takes your privacy very seriously. Under data protection legislation, we have classified ourselves as a 'data controller'. This means that we are subject to certain obligations relating to how we process personal data. These obligations include, without limitation, providing individuals with certain information regarding how we process their personal data.

We will use the personal data you have provided to us in connection with an investment in units of Legal & General European Equity Income Fund, including your name, age, contact details, bank account details, transactions and the invested amount, and any information regarding the dealing in units in accordance with all applicable data protection laws and our Privacy Policy which is available from 25 May 2018 at [www.lgim.com/UTMprivacy](http://www.lgim.com/UTMprivacy) (or available upon request). Our Privacy Policy sets out, amongst other things, the purpose or purposes for which your personal data is collected and intended to be processed and also contains any other information prescribed by data protection legislation.

**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**

Northern Trust Global Services SE UK Branch

50 Bank Street,

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**

Legal & General  
(Unit Trust Managers) Limited  
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EIR0619

